INPUT

ANNUAL FINANCIAL STATEMENTS

2001 to 20

CONFIDENTIAL & PROPRIETARY

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INPUT, A NEVADA CORPORATION

ANNUAL FINANCIAL STATEMENTS

DATE

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PROPERTY OF INPUT

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INPUT – A NEVADA CORPORATION

BOARD OF DIRECTORS

DECEMBER 2001

Peter A. Cunningham	Chairman of the Board, Director and Treasurer.
Occupation:	President INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941
Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945
Kevin Plexico	Director (Elected 11/18/99)
Occupation:	Executive Vice President, INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	43983 Lords Valley Terrace Ashburn, VA 20147
Telephone:	(703) 858-0565
Birth Date:	May 8, 1970

William H. Bryant	Director, INPUT (Elected 3/81)
Occupation:	Attorney Bryant, Clohan, Eller, Maines & Baruh, LLP 550 Hamilton Avenue, Suite 220 Palo Alto, Ca. 94301
Telephone	(650)-324-1606
David Heineman	Director, INPUT (Elected 4/13/00)
Occupation:	Managing Director Platinum Group, Inc. 350 Fifth Avenue, 71st Floor New York, NY 10108
Telephone	(212) 736-4300
Thomas L. Hewitt	Director, INPUT (Elected 12/18/01
Occupation:	
Telephone	(703) 883-1991
Address:	3551 Bayou Circle Longboat Key, Fl 34228
Telephone:	(703) 883-1991 (Cell) (941) 383-0066 SS: 238-60-7006

INPUT – A NEVADA CORPORATION

COMPANY OFFICERS

OCTOBER 2001

Peter A. Cunningham	Chairman of the Board, Director and Treasurer.
Occupation:	President INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
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Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

INPUT – A NEVADA CORPORATION

STOCKHOLDERS

MAY 2001

William H. Bryant, Esq.
Bryant, Clohan, Eller, Maines & Baruh, LLP
550 Hamilton Avenue, Suite 220
Palo Alto, CA 94301
(650) 324-1606

Peter & Patricia Cunningham
P.O. Box 30998SMB
725 Britannia Drive
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Cayman Islands, BWI
(345) 945-5725

Bernard Goldstein
2 Manursing Way
Rye, NY 10580
(914) 967-0410

David Heinemann
250 W. 104 Street, Apt. 22
New York, NY 10025

Edward I. Metz
13 Lenape Drive
Montville, NJ 07045
(210) 263-2980

Victor Millar
4540 Los Pinos
PO Box 2606
Rancho Santa Fe, CA 92067
(858) 759-7140

Sterling Williams
4241 Lorraine
Dallas, TX 75205
(214) 522-7247

Kevin Plexico	Director (Elected 11/99)
Occupation:	Executive Vice President, (Elected 8/00) (VP: Elected 1/98) INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	43983 Lords Valley Terrace Ashburn, VA 20147
Telephone:	(703) 858-0565
Birth Date:	May 8, 1970
Albert Nekimken	Vice President (Elected 4/00)
Occupation:	Manager Commercial Services INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	2241 Richelieu Drive Vienna, VA 22128
Telephone:	(703) 642-1596
Birth Date:	7/21/44
Douglas Straham	Vice President (Elected 11/01)
Occupation:	Chief Financial Officer INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	100 White Chimney Court Great Falls, VA 22066
Telephone:	(703) 757-1313
Birth Date:	10/15/62

INPUT - MONTHLY FINANCIAL REPORTS

For the Period Ending December 31, 2001

Prepared January 8, 2002

CONFIDENTIAL

INPUT
14900 Conference Center Drive, Suite 225
Chantilly, VA 20151
(703) 378-8740

INPUT

CONSOLIDATED BALANCE SHEET

as of December 31, 2001

		Prepared: 8-Jan-02
		Actual
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	307,400
Accounts Receivable [(1)]		1,273,180
Refundable income taxes		-
Prepaid expenses		41,526
TOTAL CURRENT ASSETS		1,622,106
PROPERTY & EQUIPMENT:		
Furniture and fixtures		58,752
Office equipment		522,839
Leasehold improvements		7,951
		589,542
Accumulated depreciation		(400,476) * 367.4
TOTAL PROPERTY & EQUIPMENT		189,066 * 222.2
DEPOSITS		31,260
	$	1,842,432
LIABILITIES AND NET CAPITAL DEFICIENCY		
LIABILITIES:		
Accounts payable	$	96,210 * 97.4
Accrued liabilities		210,027 * 215.0
Income taxes payable		-
Deferred Revenue		1,530,303
Notes Payable		650,000
TOTAL LIABILITIES		2,486,540
NET CAPITAL DEFICIENCY:		
Common stock, no par value: 75,000,000 share authorized		49,825 * 56.8
Accumulated deficit		(1,027,454)
Current year retained earnings		333,521 = 693.9 * 667.7
TOTAL NET CAPITAL DEFICIENCY		(644,108)
	$	1,842,432

NOTES:

(1) Includes $204,379 of Unbilled Accounts Receivable

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CONSOLIDATED INCOME STATEMENT
For the Twelve Months Ending December 31, 2001

Prepared: 8-Jan-02

		Month	%	YTD	%	Prior YTD	
REVENUE							
Subscriptions		305,005		2,810,953		1,963,285	
Projects		(423)		825,077		464,703	
Other/Reports		20,000		101,156		194,495	
Other Non-Operating/Misc		3,592		36,366		163,630	
TOTAL REVENUE	$	328,174		3,773,552		2,786,113	
EXPENSES							
TOTAL EXPENSES	$	442,873		3,360,232		2,612,794	
EBITDA (1)		(114,699)		413,320		173,319	
Depreciation/Amortization		14,971		71,906	* 38.8	63,407	
Interest Inc/Exp (Net)		5,449		64,607	7.2	96,529	
Other Inc/Exp		(57,385)		(57,385)		0	
EBT (2)		(77,734)		334,192		13,383	
Taxes		0		671		0	
NET INCOME	$	(77,734)	-24%	333,521	9%	13,383	0%
				* 358.7			

NOTES:
(1) Earnings before interest, taxes, depreciation & amortization.
(2) Earnings before taxes.

INPUT - STOCK OUTSTANDING

@ DECEMBER 31, 2001

NAME	DATE	Cert. No.		Purch Price	12/31/00	3/31/01	6/30/01	9/30/01	12/31/01
Cunningham Trusts	02/03/77	7,80 82		$0.03	752,500	752,500	752,500	752,500	752,500
Goldstein	11/30/79	15		$0.075	10,000	10,000	10,000	10,000	10,000
Bryant	12/10/86	54		$0.25	20,000	20,000	20,000	20,000	20,000
Millar	06/15/90	71		$0.80	10,000	10,000	10,000	10,000	10,000
Williams	06/15/90	72		$0.80	10,000	10,000	10,000	10,000	10,000
David Heinemann	04/13/00	86		$0.10	10,000	10,000	10,000	10,000	10,000
David Heinemann	01/16/01	2	*	$0.10		10,000	10,000	10,000	10,000
Metz	04/29/83	44		$0.25	18,000	18,000	18,000	18,000	18,000
EXEC/BOARD AWARD					830,500	840,500	840,500	840,500	840,500
* *Nevada Stock Certificate*									
1982/93 OPTION PLANS					0	0	0	0	0
TOTAL OUTSTANDING					830,500	840,500	840,500	840,500	840,500

	INPUT				
	CONSOLIDATED INCOME STATEMENT				
	As of December 31st, 2001				
			Date Prepared:		2/19/02
	$	$	$		$
	INPUT GmbH	INPUT	Con GJE		Consolidated
Revenues	-	3,773,552	-		3,773,552
Expenses:					
Salaries, wages, fringe benefits and consulting	(11)	2,727,648	-		2,727,637
Facilities, communications and other costs	(3,793)	639,455	4,885	(1)	640,547
Income (Loss) from operations	3,804	406,449	(4,885)		405,368
Interest & other income (expenses)	-	(46,030)	-		(46,030)
Income (loss) before taxes	3,804	360,419	(4,885)		359,338
Tax provision		(671)	-		(671)
Net income (loss)	3,804	359,748	(4,885)		358,667

Note: (1) Reclass cash received from INPUT GmbH to interco payable / receivable (based on 12/31/01 exchan

INPUT CONSOLIDATED ORDERS BY BUSINESS LINE

December 31, 2001

Prepared: 4-Jan-02

BUSINESS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2001 TOTAL	ORIG PLAN	PRIOR YEAR
	ACTUAL ($ 000s)														
PUBLIC SECTOR SERVICES												724) 62%		anstr 150k would be 80%.	
Total Government Renewal Base	*119.5*	*82.3*	*127.0*	*89.5*	*116.5*	*88.7*	*92.5*	*175.0*	*130.0*	*132.0*	*256.5*	*335.2*	*1,744.7*		
PROGRAM Renewal	79.5	61.0	106.0	70.0	54.5	65.0	125.2	88.7	129.8	84.5	157.0	209.5 451	1,230.7	1,396.0	
PROGRAM New	150.6	159.2	170.5	143.1	131.0	126.4	197.3	149.4	139.3	186.1	243.5	428.3	2,224.7	3,794.0	
PROGRAM Reports & Copies	2.5	2.5	2.5	6.0	3.5	13.0	3.5	15.5	3.5	13.0	3.5	17.0	86.0	0.0	
CUSTOM	30.0	28.0	2.0	20.8	0.0	0.0	0.0	10.0	0.0	15.0	0.0	0.0	105.8	252.0	
OTHER	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
TOTAL PUBLIC SECTOR	262.6	250.7	281.0	239.8	189.0	204.4	326.0	263.6	272.6	298.6	404.0	654.8	3,647.1	5,442.0	2,016.9
YTD Total												*3,647.1*			
E-BUS/WEB SERVICES															53.5
CUSTOM	12.5	0.0	0.0	30.0	10.0	0.0	95.0	0.0	2.4	2.0	0.0	1.2	153.1	70.0	~~96.0~~ ~~88.8~~
YTD Total												*153.1*			
COMMERCIAL SERVICES															
SUBSCRIPTIONS	0.0	0.0	0.0	12.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0		
CUSTOM	33.4	5.0	0.0	28.7	46.0	84.5	7.1	95.5	235.0	18.0	0.0	19.6	572.8	1,200.0	~~755.8~~ 725.8
TOTAL COMMERCIAL	33.4	5.0	0.0	40.7	46.0	84.5	7.1	95.5	235.0	18.0	0.0	19.6	584.8	1,200.0	755.8 60.3
YTD Total												*584.8*			
											2000 MKTG SERVICES				
TOTAL MONTH - ACTUAL	308.5	255.7	281.0	310.5	245.0	288.9	428.1	359.1	510.0	318.6	404.0	675.6	4,385.0	6,712.0	~~2,888.7~~ 2856.4
TOTAL YTD - ACTUAL	308.5	584.2	845.2	1,155.7	1,400.7	1,689.6	2,117.7	2,476.8	2,986.9	3,305.4	3,709.4	4,385.0			
TOTAL MONTH - PLAN BY QTR	368.0	360.0	355.0	385.0	429.0	468.0	398.0	525.0	512.0	525.0	656.0	742.0			
TOTAL YTD - PLAN	368.0	728.0	1,083.0	1,468.0	1,897.0	2,365.0	2,763.0	3,289.0	3,801.0	4,326.0	4,982.0	5,725.0			

Note: November Orders do not include the Dell Renewal for GFI, GFA, and GFE ($36,500) which is a barter transaction.

move Rpt to financials
This Report s/b by Product.

$ 2,856,426.00

2001 an incr. of $53%

INPUT Consolidated

FINANCIAL STATEMENTS

Unaudited
For the Period Ending December 31, 2001

Prepared February 28, 2002

CONFIDENTIAL

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14900 Conference Center Drive, Suite 225
Chantilly, VA 20151
(703) 378-8740

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Date Printed:3/11/02
Date Prepared:2/28/2002

INPUT
CONSOLIDATED BALANCE SHEET
As of December 31st 2001

ASSETS		12/31/01	12/31/00
CURRENT ASSETS:			
Cash and cash equivalents	$	307,400	178,913
Accounts receivable		1,273,180	493,523
Prepaid expenses		41,890	0
TOTAL CURRENT ASSETS		1,622,470	672,436
PROPERTY & EQUIPMENT:			
Furniture and fixtures		58,752	39,851
Office equipment		522,839	347,377
Leasehold improvements		7,951	
		589,542	387,228
Accumulated depreciation		(367,377)	(328,572)
TOTAL PROPERTY & EQUIPMENT		222,165	58,656
DEPOSITS		31,260	31,260
	$	1,875,895	762,352

LIABILITIES AND NET CAPITAL DEFICIENCY

CURRENT LIABILITIES:			
Notes Payable	$	650,000	850,000
Accounts payable		97,446	53,545
Accrued liabilities		215,027	265,659
Obligations under capital leases		0	0
Income taxes payable		0	0
Deferred revenue		1,530,303	569,458
TOTAL CURRENT LIABILITIES		2,492,776	1,738,662
NET CAPITAL DEFICIENCY:			
Common stock, no par value: 7,500,000 share authorized,		50,825	49,825
Accumulated deficit		(667,706)	(1,026,135)
TOTAL NET CAPITAL DEFICIENCY		(616,881)	(976,310)
	$	1,875,895	762,352

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CONSOLIDATED INCOME STATEMENT
For the Year Ended December 31, 2001

		2001	2000
REVENUES	$	3,773,552	2,786,114
EXPENSES:			
Salaries, wages, fringe benefits and consulting		2,727,637	1,894,529
Facilities, communications and other costs		640,547	718,037
INCOME (LOSS) from Operations	$	405,368	173,548
Interest & other income (expenses)		(7,223)	(96,530)
Income (loss) before Taxes & Depreciation	$	398,145	77,018
Depreciation		38,807	47,605
Tax provision		671	0
NET INCOME (LOSS)	$	358,667	29,413

Date Printed:3/11/02
Date Prepared:2/28/2002

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STATEMENT OF NET CAPITAL DEFICIENCY
Years ended December 31, 2000 and 2001

	Common stock			
	Number of shares issued and outstanding	Amount	Accumulated deficit	Net capital deficiency
Balance at December 31, 1999	820,500	$ 48,825	$ (1,055,547)	$ (1,006,722)
Issuance of common stock	10,000	1,000		1,000
Net Income			29,412	29,412
Balance at December 31, 2000	$ 830,500	$ 49,825	$ (1,026,135)	$ (976,310)
Issuance of common stock	10,000	1,000		1,000
Accumulated translation adjustment for the year			(238)	(238)
Net Income			358,667 $	358,667
Balance at December 31, 2001	840,500	$ 50,825	$ (667,706)	$ (616,881)

Doug
GT Report

INPUT
CONSOLIDATED BALANCE SHEET
As of December 31st, 2001

		$	$	$		$
Prepared:						2/19/02
		INPUT GmbH	INPUT	Con GJE		Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$	-	307,400	-		307,400
Accounts receivable, net of allowance for		-	1,273,180	-		1,273,180
doubtful accounts of $ 1125 ($1125 in 2000)		-	-	-		-
Prepaid expenses		-	41,890	-		41,890
TOTAL CURRENT ASSETS		-	1,622,470	-		1,622,470
PROPERTY & EQUIPMENT:						
Furniture and fixtures		-	58,752	-		58,752
Office equipment		-	522,839	-		522,839
Leasehold improvements		-	7,951	-		7,951
		-	589,542	-		589,542
Accumulated depreciation		-	(367,377)	-		(367,377)
TOTAL PROPERTY & EQUIPMENT		-	222,165	-		222,165
DEPOSITS		-	31,260	-		31,260
	$	-	1,875,895	-		1,875,895
LIABILITIES AND NET CAPITAL DEFICIENCY						
LIABILITIES:						
Accounts payable	$	(4,885)	97,446	4,885	(1	97,446
Notes payable		-	650,000	-		650,000
Accrued liabilities		-	215,027	-		215,027
Obligations under capital leases		-	-	-		-
Income taxes payable		-	-	-		-
Deferred revenue		-	1,530,303	-		1,530,303
TOTAL LIABILITIES		(4,885)	2,492,776	4,885		2,492,776
NET CAPITAL DEFICIENCY:						
Common stock, no par value: 7,500,000 share authorized,		-	50,825	-		50,825
Accumulated deficit		4,885	(667,706)	(4,885)		(667,706)
TOTAL NET CAPITAL DEFICIENCY		4,885	(616,881)	(4,885)		(616,881)
	$	-	1,875,895	-		1,875,895

Note: (1) Reclass cash received from INPUT GmbH to interco payable / receivable (based on 12/31/01 exchange rate)

INPUT – A NEVADA CORPORATION

BOARD OF DIRECTORS

MARCH 2002

Peter A. Cunningham	Chairman of the Board, Director and Treasurer.
Occupation:	President INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941
Patricia Cunningham	Director and Secretary
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Kevin Plexico	Director (Elected 11/18/99)
Occupation:	Executive Vice President, INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	43983 Lords Valley Terrace Ashburn, VA 20147
Telephone:	(703) 858-0565
Birth Date:	May 8, 1970

William H. Bryant	Director, INPUT (Elected 3/20/81)
Occupation:	Attorney Bryant, Clohan, & Baruh, LLP 550 Hamilton Avenue, Suite 220 Palo Alto, Ca. 94301
Telephone	(650)-324-1606

David Heineman	Director, INPUT (Elected 4/13/00)
Occupation:	President Heinemann & Co., Inc. 100 Broadway, 7th Floor New York, NY 10005
Telephone	(212) 366-7668
Fax	(212) 406-4035

Thomas L. Hewitt	Director, INPUT (Elected 12/18/01)
Occupation:	
Telephone	(703) 883-1991
Address:	3551 Bayou Circle Longboat Key, Fl 34228
Telephone:	(703) 883-1991 (Cell) (941) 383-0066 SS: 238-60-7006

INPUT – A NEVADA CORPORATION

COMPANY OFFICERS

MARCH 2002

Peter A. Cunningham	Chairman of the Board, Director and Treasurer.
Occupation:	President INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941

Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

Kevin Plexico	Director (Elected 11/99)
Occupation:	Executive Vice President, (Elected 8/00) (VP: Elected 1/98) INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	43983 Lords Valley Terrace Ashburn, VA 20147
Telephone:	(703) 858-0565
Birth Date:	May 8, 1970

Albert Nekimken	Vice President (Elected 4/00)
Occupation:	Vice President, Commercial Services INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	2241 Richelieu Drive Vienna, VA 22128
Telephone:	(703) 642-1596
Birth Date:	7/21/44

Douglas Straham	Vice President (Elected 11/01)
Occupation:	Chief Financial Officer INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	100 White Chimney Court Great Falls, VA 22066
Telephone:	(703) 757-1313
Birth Date:	10/15/62

Scott Lewis	Vice President (Elected 02/19/02)
Occupation:	Vice President, Sales INPUT 14900 Conference Centre Drive, Suite 225 Chantilly, VA 20151 (703) 378-8740
Address:	607 Knollwood Dr Falls Church, VA 22046
Telephone	(703)
Birth Date:	

INPUT

Consolidated Statement of Operations

Year ended December 31, 2002

Revenues	$ 6,209,495
Operating expenses:	
Cost of revenues	1,964,659
Sales and marketing	2,745,373
General and administrative	1,651,685
Depreciation and amortization	95,472
Total operating expenses	6,457,189
Loss from operations	(247,694)
Other income (expense)	(53,077)
Net loss	$ (300,771)

See accompanying notes.

INPUT – A NEVADA CORPORATION

STOCKHOLDERS

MARCH 2002

Michael P. Boland
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Thomas L. Hewitt
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Longboat Key, Fl 34228
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INPUT

Consolidated Financial Statements

Year ended December 31, 2002 with Report of Independent Auditors

INPUT

Consolidated Financial Statements

Year ended December 31, 2002

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Audited Consolidated [illegible]

[illegible]

ERNST & YOUNG

Ernst & Young LLP
8484 Westpark Drive
McLean, VA 22102

Phone: (703) 747-1000
www.ey.com

Report of Independent Auditors

The Board of Directors
INPUT

We have audited the accompanying consolidated balance sheet of INPUT as of December 31, 2002, and the related consolidated statement of operations, stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of INPUT as of December 31, 2002, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

May 6, 2003

INPUT

Consolidated Balance Sheet

December 31, 2002

Assets	
Current assets:	
Cash and cash equivalents	$ 1,437,362
Accounts receivable, net of allowance for doubtful accounts of $67,499	2,415,414
Prepaid expenses and other current assets	104,256
Total current assets	3,957,032
Property and equipment, net	388,586
Other assets	31,260
Total assets	$ 4,376,878
Liabilities and shareholders' deficit	
Current liabilities:	
Accounts payable	$ 90,787
Accrued expenses	711,160
Capital lease obligation, current portion	4,596
Deferred revenue, current portion	5,397,128
Total current liabilities	6,203,671
Other long-term liabilities	16,383
Capital lease obligation, noncurrent portion	9,713
Commitments and contingencies *(Note 8)*	
Stockholders' deficit:	
Common stock, $0.01 par value, 20,000,000 shares authorized; 8,405,010 shares issued and 8,037,510 outstanding at December 31, 2002	56,325
	(1,872,464)
	(36,750)
	(1,852,889)
	$ 4,376,878

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INPUT

Consolidated Statement of Stockholders' Deficit

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balance at December 31, 2001	8,405,010	$ 56,325	$ 900	$ –	$(1,571,693)	$ (1,514,468)
Repurchase of common stock	**(480,000)**	–	–	**(48,000)**	–	**(48,000)**
Compensatory stock issued to a director	**100,000**	–	–	**10,000**	–	**10,000**
Issuance of common stock upon exercise of options	**12,500**	–	**(900)**	**1,250**	–	**350**
Net loss	–	–	–	–	**(300,771)**	**(300,771)**
Balance at December 31, 2002	**8,037,510**	**$ 56,325**	**$ –**	**$ (36,750)**	**$(1,872,464)**	**$ (1,852,889)**

See accompanying notes.

INPUT

Consolidated Statement of Cash Flows

Year ended December 31, 2002

Cash flows from operating activities	
Net loss	$ (300,771)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	95,472
Noncash stock compensation	10,000
Provision for doubtful accounts	59,119
Changes in operating assets and liabilities:	
Accounts receivable	(1,396,924)
Prepaid expenses and other current assets	(72,127)
Accounts payable and accrued expenses	450,993
Deferred revenue	3,230,804
Other long-term liabilities	5,864
Net cash provided by operating activities	2,082,430
Cash flows from investing activities	
Purchase of property and equipment	(244,247)
Cash flows from financing activities	
Repurchase of common stock	(48,000)
Proceeds from exercise of stock options	350
Payments on notes payable	(650,000)
Principal payments on capital lease obligations	(4,160)
Net cash used in financing activities	(701,810)
Net increase in cash and cash equivalents	1,136,373
Cash and cash equivalents at beginning of year	300,989
Cash and cash equivalents at end of year	$ 1,437,362
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	$ 59,160
Noncash stock compensation	$ 10,000

See accompanying notes.

INPUT

Notes to Consolidated Financial Statements

December 31, 2002

1. Organization

INPUT (INPUT or the Company) delivers Web-based software, information and analysis designed to optimize the sales and marketing activities of information technology vendors in the public sector. The Company has three primary lines of business to meet the information, analysis, and software needs of its customers: market development services, advisory services, and software solutions.

The Company was initially incorporated in December 1976 under the laws of the state of California. In August 2000, the Company created an entity incorporated in the state of Nevada. In January 2001, the California corporation merged into the Nevada corporation, with the Nevada corporation being the surviving entity. The accompanying consolidated financial statements include the accounts of INPUT, a Nevada corporation; INPUT, Inc., a Virginia corporation and wholly owned subsidiary; and INPUT, Gmbh, a wholly owned subsidiary operating in Germany. All intercompany accounts and transactions have been eliminated.

The Company's operations are subject to certain risks and uncertainties that could affect future operations and financial performance. It is uncertain whether the Company's business will generate significant future revenues. Other risks to which the Company is exposed include uncertainties relating to product development; rapidly changing technology; current and potential competitors with greater financial, technological, production, and marketing resources; and dependence on key management personnel.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company's revenues consist of subscription revenues, services revenues, and software revenues. The Company recognizes revenue in accordance with Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements* and EITF 00-3, *Application of AICPA Statement of Position 97-2 to Arrangements that Include the Right to Use Software Stored on Another Entity's Hardware*.

Subscription-based revenues are revenues derived from arrangements in which our clients subscribe to our hosted software products and services. Revenues are recognized ratably over the contract term, typically one year.

Services revenues are derived from the delivery of market studies and surveys, market assessments and forecasts, and due diligence and competitive benchmark studies. Revenues are recognized relative to the Company's proportionate performance based on the ratio that total costs incurred to date bear to the total estimated costs of the contract.

Software revenues are derived from arrangements in which our clients license propriety software developed and hosted by the Company. Software licenses are sold with implementation, configuration, maintenance and support services. The Company has not sold these services on a stand-alone basis and, therefore, has not determined the fair value of those services. Accordingly, software license revenue is recognized ratably over the term of the arrangement.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Barter transactions represent the exchange of the Company's subscription services for merchandise or services. These transactions are recorded at the fair value of the subscription services relinquished or the fair value of the merchandise or services received, whichever is more readily determinable. Revenue is recognized on barter transactions over the term of the arrangement for subscriptions. Expenses are recorded when the merchandise or service received is utilized. Barter revenue for the year ended December 31, 2002 was $128,844 and is included in revenue. Barter expenses for the year ended December 31, 2002 were $36,352 and are included in sales and marketing expense.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured amounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash

Included in other assets at December 31, 2002, is restricted cash of $31,260 associated with a letter of credit securing payments under the Company's office lease (see Note 8).

Impairment of Long-Lived Assets

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, but retains its fundamental provision for recognizing and measuring impairment of long-lived assets to be held and used. This Standard requires that all long-lived assets to be disposed of by sale be carried at the lower of carrying amount or fair value less cost to sell, and that depreciation cease to be recorded on such assets. SFAS No. 144 standardizes the accounting and presentation requirements for all long-lived assets to be disposed of by sale, and supersedes previous guidance for discontinued operations of business segments. In accordance with SFAS No. 144, the Company reviews its recorded long-lived assets for impairment whenever

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets (continued)

events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Based on the Company's analysis, there were no impairment issues for the year ended December 31, 2002.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to five years.

Assets acquired under leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the terms of the leases. Equipment held under capital lease obligations is classified as property and equipment and amortized using the straight-line method over the lesser of their useful life or the term of the lease. Amortization of equipment under capital lease obligations is included with depreciation expense for similar types of equipment.

Repairs and maintenance are charged to expense as incurred. When assets are retired or otherwise disposed of, the asset and related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income.

Stock-Based Compensation

SFAS No. 123, *Accounting for Stock-Based Compensation*, allows companies to account for stock-based compensation using either the provisions of SFAS No. 123 or the provisions of Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees*, but requires pro forma disclosure in the notes to the financial statements as if the measurement provisions of SFAS No. 123 had been adopted. The Company accounts for its stock-based employee compensation in accordance with APB No. 25. Generally, no expense is recognized related to the Company's stock options because the option's exercise price is set at the underlying stock's fair market value on the date the option is granted.

2. Summary of Significant Accounting Policies (continued)

Stock-Based Compensation (continued)

The following table illustrates the effect on the net loss if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation:

	2002
Pro forma net loss:	
As reported	$ (300,771)
Add: Noncash stock compensation included in reported net loss	10,000
Deduct: Total employee noncash stock compensation expense determined under fair value-based method for all awards	(13,260)
Pro forma net loss	$ (304,031)

The effect of applying SFAS No. 123 on a pro forma net loss as stated above is not necessarily representative of the effects on reported net loss for future years due to, among other things, the vesting period of the stock options and the fair value of additional options to be granted in the future years.

The weighted-average fair value of options granted during 2002 was $0.02. The fair value of each option is estimated on the date of grant using the minimum value option-pricing model with the following assumptions used for grants issued during the year ended December 31, 2002:

	2002
Dividend yield	0.00%
Average risk-free interest rate	3.97%
Expected term	5 years

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company generally maintains its cash balances in accounts with nationally recognized institutions. Customers are granted credit on an unsecured basis. Management monitors the creditworthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

2. Summary of Significant Accounting Policies (continued)

Income Taxes

Deferred taxes are provided utilizing the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amount of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Advertising Costs

The Company expenses advertising and marketing costs as incurred. For the year ended December 31, 2002, advertising costs were $245,410.

Recent Accounting Pronouncements

At the November 21, 2002 EITF meeting, the Task Force ratified as a consensus Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. In addition, the Task Force indicated that the guidance in the consensus is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company is currently analyzing the consensus to determine what effects, if any, this guidance will have on the Company's revenue recognition policy.

3. Property and Equipment

Property and equipment consist of the following:

	2002
Computer and office equipment	$ 726,085
Office furniture	120,601
Leasehold improvements	7,951
	854,637
Less accumulated depreciation	(466,051)
Total	$ 388,586

4. Note Payable

On January 8, 1998, the Company entered into an Investment Agreement with Sterling Software (Holder), which resulted in the issuance of a Convertible Promissory Note (Note) in the amount of $1,000,000. The Note accrued simple interest at a rate of 10% per annum, payable quarterly in arrears on the last day of each calendar quarter, beginning March 31, 1998. Principal payments were due quarterly beginning on March 31, 2000. The Note was to mature on January 9, 2005. At any time, upon two days' written notice, the Holder had the option to convert all or a part of the then outstanding principal balance into common stock at the rate of 10 shares of common stock for each $40.732 of the then-outstanding principal cancelled. The conversion price was subject to certain anti-dilution provisions as defined in the Note. The remaining balance of the Note of $650,000 was paid off during 2002.

5. Stockholders' Deficit

Common Stock

In January 2002, the Company's Board of Directors approved a ten-for-one stock split of the Company's common stock. Stockholders' equity has been restated to give retroactive recognition to the stock split for all periods presented. All references to common shares for all periods presented have been retroactively restated to reflect the stock split.

In January 2002, the Company repurchased a total of 480,000 outstanding shares of common stock from stockholders no longer involved with the Company for $0.10 per share. The Board of Directors, at the December 18, 2001 meeting, approved the stock repurchase. The Company repurchased the shares with the intention to hold the shares in treasury for future distribution. The shares are included in treasury stock. In January 2002, the Company issued 100,000 shares of common stock at $0.10 per share, which represented the fair value of the common stock at the time of issuance, to an individual following the confirmation of his appointment to the Board of Directors.

5. Stockholders' Deficit (continued)

Stock Option Plan

On October 27, 1993, the Company adopted the 1993 Stock Incentive Plan (the Plan) to issue 2,600,000 authorized shares of common stock to attract, retain, and reward key individuals who have contributed to the growth of the Company. These individuals include all employees and directors. The Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals are awarded options pursuant to the Plan, and the terms and option exercise prices of the stock options. At December 31, 2002, options to purchase 1,073,500 shares are outstanding and 1,514,000 shares are available for future grants.

Each qualified incentive stock option granted pursuant to the Plan has an exercise price equal to the fair market value of the common stock at the date of the grant and a term ranging from five to eight years. All options granted during the year were fully vested.

The following table summarizes the activity of the Company's Plan:

	Number of Options	Range of Exercise Prices	Weighted-Average Exercise Price
Balance at December 31, 2001	1,125,000	\$0.10 to \$0.80	\$0.18
Granted	**188,500**	**0.10**	**0.10**
Exercised	**(12,500)**	**0.10**	**0.10**
Terminated	**(227,500)**	**0.10 to 0.80**	**0.12**
Balance at December 31, 2002	**1,073,500**	**0.10 to 0.80**	**0.18**

Options to purchase 1,073,500 shares of the Company's common stock were exercisable at December 31, 2002 at a weighted-average per share exercise price of \$0.18 per share. The weighted-average remaining contractual life of options outstanding at December 31, 2002 was 2.16 years.

The Company adopted the disclosure requirements of SFAS No. 148, *Accounting for Stock-Based Compensation*. The Company applies APB Opinion No. 25 and related interpretations in accounting for its Plan. Accordingly, compensation costs have been recognized for its stock plan based on the intrinsic value of the stock options at the date

5. Stockholders' Deficit (continued)

Stock Option Plan (continued)

of grant. At December 31, 2002, all stock options granted have been issued at the fair value of the Company's common stock, and therefore, no compensation cost has been recognized.

6. Related Party Transactions

An individual from the Company's primary legal counsel also serves as a director of the Company. The Company paid this individual $7,138 in 2002 for his services as a director. The Company paid $8,242 to this law firm for legal services for the year ended December 31, 2002. These amounts are included within general and administrative expenses. At December 31, 2002, the Company owed this law firm $2,700 for services rendered during 2002. These amounts are included within accounts payable and accrued expenses.

7. Income Taxes

The Company incurred pretax losses for the years presented herein and there are no income taxes provided in the accompanying statements of operations. At December 31, 2002, the Company had net operating loss carryforwards (NOLs) of approximately $830,563 that will expire through 2021. The realization of the benefits of the NOLs is dependent on sufficient taxable income in future years. Lack of further earnings, a change in the ownership, or the application of the alternative minimum tax rules could adversely affect the Company's ability to utilize the NOLs. The Company's net deferred tax assets consists of the following:

	2002
Net deferred tax assets:	
Net operating loss carryforwards	$ 304,318
Accrual to cash adjustment	18,320
Allowance for doubtful accounts	24,713
Prepaid expenses	(13,294)
Book over tax depreciation	8,658
	342,715
Valuation allowance	(342,715)
Net deferred tax assets	$ –

7. Income Taxes (continued)

A valuation allowance has been recorded to offset completely the carrying value of the net deferred tax asset due to the Company's lack of prior earnings.

8. Commitments and Contingencies

Leases

The Company leases office space and certain equipment under operating lease agreements. The lease agreement for the Company's primary office space contains escalation clauses. As part of the lease agreement for the Company's primary office space, the Company obtained a letter of credit from a bank of $31,260 as a security deposit on the leased space. The security deposit is required under the terms of the lease and the related letter of credit decreases to $20,840 on June 1, 2004 and further decreases to $10,420 on June 1, 2005. No amounts were outstanding under the letter of credit during 2002. Rent expense related to these operating leases was $215,078 for the year ended December 31, 2002.

Future minimum lease payments under capital and noncancelable operating leases are as follows as of December 31, 2002:

	Capital	Operating
2003	$ 5,820	$ 221,754
2004	5,820	172,315
2005	4,850	177,416
2006	–	74,818
Total future minimum payments	16,490	$ 646,303
Less amount representing interest	2,181	
Present value of minimum lease payments	14,309	
Less current portion of capital lease obligations	4,596	
Long-term portion	$ 9,713	

Assets recorded under capital lease obligations aggregated $23,017 as of December 31, 2002. Accumulated depreciation of assets under capital lease obligations totaled $9,974 at December 31, 2002. Depreciation of assets under capital lease is included in depreciation expense.

9. Employee Benefit Plan

The Company's employees participate in a defined contribution 401(k) retirement plan. The retirement plan allows employees of the Company to make pretax contributions to the plan subject to a statutorily prescribed annual limit. Each participant is fully vested in his or her contributions and the investment earnings. The Company may make discretionary contributions to the retirement plan. During the year ended December 31, 2002, the Company made matching contributions totaling $8,804.

[illegible]

[illegible] d Financial Stat[illegible]

9. Employee Bene[illegible]

The Company [illegible]
The sole [illegible] of the [illegible]
[illegible]
[illegible]
[illegible]
[illegible]

03

ERNST & YOUNG

-INPUT – A NEVADA CORPORATION

BOARD OF DIRECTORS

APRIL 2003

Peter A. Cunningham	Chairman of the Board, Director, and Treasurer.
Occupation:	President INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941
Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945
Kevin Plexico	Director (Elected 11/18/99)
Occupation:	Executive Vice President, INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	44018 Cheltenham Circle Ashburn, VA 20147
Telephone:	(703) 858-0565
Birth Date:	May 8, 1970

William H. Bryant	Director, INPUT (Elected 3/20/81)
Occupation:	Attorney Bryant, Clohan, & Baruh, LLP 550 Hamilton Avenue, Suite 220 Palo Alto, Ca. 94301
Telephone	(650)-324-1606
David Heinemann	Director, INPUT (Elected 4/13/00)
Occupation:	President Heinemann & Co., Inc. 100 Broadway, 7^{th} Floor New York, NY 10005
Telephone	(212) 366-7668
Fax	(212) 406-4035

INPUT – A NEVADA CORPORATION

COMPANY OFFICERS

APRIL 2003

Peter A. Cunningham	Chairman of the Board, Director and Treasurer.
Occupation:	President INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941

Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

Kevin Plexico	Director (Elected 11/99)
Occupation:	Executive Vice President, (Elected 8/00) (VP: Elected 1/98) INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	44018 Cheltenham Circle Ashburn, VA 20147
Telephone:	(703) 858-0565
Birth Date:	May 8, 1970

Douglas Strahan	Vice President (Elected 11/01)
Occupation:	Chief Financial Officer INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
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Telephone:	(703) 757-1313
Birth Date:	10/15/62

INPUT – A NEVADA CORPORATION

STOCKHOLDERS

MARCH 2003

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2. Trustees, Cunningham Family Ltd. Partnership
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* PEC – INPUT Corporate Secretary
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* INPUT Employee 04/8/02
* No. Shares: 2,500

INPUT - STOCK OUTSTANDING

March 31, 2003

NAME	ORIG. CERT. DATE (California)		CERT. DATE	Cert. No.	Purch. Price	12/31/02	03/31/03	06/30/03	09/30/03	12/31/03	
Cunningham Family Trust	12/30/76		02/18/02	3	$0.03	7,146,220	7,146,220				
Cunningham Family Partnership	12/10/95		02/18/02	4	$0.08	378,790	378,790				
CUNNINGHAM TRUSTS						7,525,010	7,525,010	-	-	-	93%
William H. Bryant	12/10/86		12/10/86	5	$0.03	200,000	200,000				2.5%
David Heinemann	04/13/00		04/13/00	6	$0.01	100,000	100,000				1.2%
David Heinemann	01/16/01		01/16/01	7	$0.01	100,000	100,000				1.2%
BOARD AWARDS						7,925,010	7,925,010	-	-	-	98%
Thomas Hewitt	01/24/02		01/24/02	8	$0.10	100,000	100,000				
OUTSIDE AWARDS						100,000	100,000	-	-	-	
	ORIG. OPTION Award										
Myra Sue Grothoff	07/17/01		01/25/02	9	$0.01	10,000	10,000				0.12%
Michael P. Boland	01/24/02		02/08/02	10	$0.10	2,500	2,500				0.03%
Jason Wenger	10/10/02		01/15/03	11	$0.10	--	2,500				0.03%
Scott P. Massey	12/01/95		02/17/03	12	$0.08	--	5,000				0.06%
Scott P. Massey	03/10/99		02/17/03	13	$0.01	--	45,000				0.56%
						--					
						--					
1982/93 OPTION PLAN AWARDS						12,500	65,000	-	-	-	
TOTAL OUTSTANDING						8,037,510	8,090,010	-	-	-	

INPUT

Consolidated Financial Statements

Years ended December 31, 2003 and 2002 with Report of Independent Auditors

INPUT

Consolidated Financial Statements

Years ended December 31, 2003 and 2002

Contents

ERNST & YOUNG

Ernst & Young LLP
8484 Westpark Drive
McLean, VA 22102

Phone: (703) 747-1000
www.ey.com

Report of Independent Auditors

The Board of Directors
INPUT

We have audited the accompanying consolidated balance sheets of INPUT as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of INPUT as of December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

May 27, 2004

INPUT

Consolidated Statements of Operations

	Year ended December 31 2003	2002
Revenues	**$ 10,461,624**	$ 6,209,495
Operating expenses:		
Cost of revenues	**2,342,038**	1,830,379
Sales and marketing	**5,612,562**	2,958,801
Technology and development	**952,525**	330,624
General and administrative	**1,843,695**	1,241,913
Depreciation and amortization	**222,407**	95,472
Total operating expenses	**10,973,227**	6,457,189
Loss from operations	**(511,603)**	(247,694)
Other income (expense)	**7,404**	(53,077)
Net loss	**$ (504,199)**	$ (300,771)

See accompanying notes.

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Consolidated Balance Sheets

	December 31 2003	2002
Assets		
Current assets:		
Cash and cash equivalents	**$ 3,161,726**	$ 1,437,362
Accounts receivable, net of allowance for doubtful accounts of $146,600 and $67,499, respectively	**3,722,293**	2,415,414
Prepaid expenses and other current assets	**132,183**	104,256
Total current assets	**7,016,202**	3,957,032
Property and equipment, net	**748,187**	388,586
Other assets	**87,943**	31,260
Due from related party	**47,415**	–
Total assets	**$ 7,899,747**	$ 4,376,878
Liabilities and shareholders' deficit		
Current liabilities:		
Accounts payable	**$ 475,884**	$ 90,787
Accrued expenses	**1,247,634**	711,160
Capital lease obligation, current portion	**5,077**	4,596
Deferred revenue, current portion	**8,134,075**	5,245,989
Total current liabilities	**9,862,670**	6,052,532
Other long-term liabilities	**42,957**	16,383
Capital lease obligation, noncurrent portion	**4,636**	9,713
Deferred revenue, noncurrent portion	**374,628**	151,139
Commitments and contingencies *(Note 8)*		
Stockholders' deficit:		
Common stock, $0.01 par value, 20 million shares authorized; 8,755,635 and 8,405,010 shares issued and 8,743,135 and 8,037,510 outstanding at December 31, 2003 and 2002, respectively	**59,831**	56,325
Accumulated deficit	**(2,433,100)**	(1,872,464)
Treasury stock, 12,500 and 367,500 shares, respectively, at cost	**(11,875)**	(36,750)
Total stockholders' deficit	**(2,385,144)**	(1,852,889)
Total liabilities and stockholders' deficit	**$ 7,899,747**	$ 4,376,878

See accompanying notes.

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Consolidated Statements of Stockholders' Deficit

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Deficit
	Shares	**Amount**				
Balance at December 31, 2001	8,405,010	$ 56,325	$ 900	$ –	$(1,571,693)	$(1,514,468)
Repurchase of common stock	(480,000)	–	–	(48,000)	–	(48,000)
Compensatory stock issued to a director	100,000	–	–	10,000	–	10,000
Issuance of common stock upon exercise of options	12,500	–	(900)	1,250	–	350
Net loss	–	–	–	–	(300,771)	(300,771)
Balance at December 31, 2002	8,037,510	56,325	–	(36,750)	(1,872,464)	(1,852,889)
Repurchase of common stock	**(52,500)**	–	–	**(49,875)**	–	**(49,875)**
Issuance of common stock upon exercise of options	**758,125**	**3,506**	–	**74,750**	**(56,437)**	**21,819**
Net loss	–	–	–	–	**(504,199)**	**(504,199)**
Balance at December 31, 2003	**8,743,135**	**$ 59,831**	**$ –**	**$(11,875)**	**$(2,433,100)**	**$(2,385,144)**

See accompanying notes.

INPUT

Consolidated Statements of Cash Flows

	Year ended December 31 2003	2002
Cash flows from operating activities		
Net loss	$ (504,199)	$ (300,771)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	222,407	95,472
Noncash stock compensation	–	10,000
Provision for doubtful accounts	79,101	59,119
Changes in operating assets and liabilities:		
Accounts receivable	(1,385,980)	(1,396,924)
Prepaid expenses and other current assets	(27,927)	(72,127)
Other assets	(56,683)	–
Due from related party	(47,415)	–
Accounts payable and accrued expenses	921,571	450,993
Deferred revenue	3,111,575	3,230,804
Other long-term liabilities	26,574	5,864
Net cash provided by operating activities	2,339,024	2,082,430
Cash flows from investing activities		
Purchase of property and equipment	(582,008)	(244,247)
Cash flows from financing activities		
Repurchase of common stock	(49,875)	(48,000)
Proceeds from exercise of stock options	21,819	350
Payments on notes payable	–	(650,000)
Principal payments on capital lease obligations	(4,596)	(4,160)
Net cash used in financing activities	(32,652)	(701,810)
Net increase in cash and cash equivalents	1,724,364	1,136,373
Cash and cash equivalents at beginning of year	1,437,362	300,989
Cash and cash equivalents at end of year	$ 3,161,726	$ 1,437,362
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 1,221	$ 59,160
Noncash stock compensation	$ –	$ 10,000

See accompanying notes.

1. Organization

INPUT (INPUT or the Company) delivers Web-based software, information, and analysis designed to optimize the sales and marketing activities of information technology vendors in the public sector. The Company has four primary lines of business to meet the information, analysis, and software needs of its customers: market development services, consulting services, software solutions, and events.

The Company was initially incorporated in December 1976 under the laws of the state of California. In August 2000, the Company created an entity incorporated in the state of Nevada. In January 2001, the California corporation merged into the Nevada corporation, with the Nevada corporation being the surviving entity. The accompanying consolidated financial statements include the accounts of INPUT, a Nevada corporation; INPUT, Inc., a Virginia corporation and wholly owned subsidiary; INPUT Limited, a wholly owned subsidiary operating in the United Kingdom; and INPUT, GmbH, a wholly owned subsidiary operating in Germany.

The Company's operations are subject to certain risks and uncertainties that could affect future operations and financial performance. Risks to which the Company is exposed include uncertainties relating to product development; rapidly changing technology; current and potential competitors with greater financial, technological, production, and marketing resources; and dependence on key management personnel.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified to conform to current-year presentation.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company's revenues consist of subscription revenues, services revenues, and software revenues. The Company recognizes revenue in accordance with Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements*, as amended by SAB No. 104, *Revenue Recognition*, and EITF 00-3, *Application of AICPA Statement of Position 97-2 to Arrangements that Include the Right to Use Software Stored on Another Entity's Hardware*.

Subscription-based revenues are revenues derived from arrangements in which our clients subscribe to our hosted software products and services. Revenues are recognized ratably over the contract term, typically one year.

Services revenues are derived from the delivery of market studies and surveys, market assessments and forecasts, and due diligence and competitive benchmark studies. Revenues are recognized relative to the Company's proportionate performance based on the ratio that total costs incurred to date bear to the total estimated costs of the contract.

Software revenues are derived from arrangements in which our clients license propriety software developed and hosted by the Company. Software licenses are sold with implementation, configuration, maintenance and support services. The Company has not sold these services on a stand-alone basis and, therefore, has not determined the fair value of those services. Accordingly, software license revenue is recognized ratably over the term of the arrangement after implementation and configuration services are completed.

Events revenues are derived from industry events and conferences produced by the Company. Payment is due in advance. Revenue is recognized when the event occurs.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Barter transactions represent the exchange of the Company's subscription services for merchandise or services. These transactions are recorded at the fair value of the subscription services relinquished or the fair value of the merchandise or services received, whichever is more readily determinable. Revenue is recognized on barter transactions over the term of the arrangement for subscriptions. Expenses are recorded when the merchandise or service received is utilized. Barter revenue for the years ended December 31, 2003 and 2002, was $125,754 and $128,844, respectively, and is included in revenue. Barter expense for the years ended December 31, 2003 and 2002, was $93,950 and $36,352, respectively, and is included in sales and marketing expense.

Advance payments recorded as deferred revenue until services are delivered or obligations are met. Deferred revenue represents the difference between the amounts invoiced and the amounts recognized as revenues.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured amounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash

Included in other assets at December 31, 2003 and 2002, is restricted cash of $31,260 associated with a letter of credit securing payments under the Company's office lease (see Note 8).

Impairment of Long-Lived Assets

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, but retains its fundamental provision for recognizing and measuring impairment of long-lived assets to be held and used. This Statement requires that all long-lived assets to be disposed of by sale be carried at the

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets (continued)

lower of carrying amount or fair value less cost to sell, and that depreciation cease to be recorded on such assets. SFAS No. 144 standardizes the accounting and presentation requirements for all long-lived assets to be disposed of by sale, and supersedes previous guidance for discontinued operations of business segments. In accordance with SFAS No. 144, the Company reviews its recorded long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Based on the Company's analysis, there were no impairment issues for the years ended December 31, 2003 and 2002.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computer and office equipment	3-5 years
Office furniture	5 years
Computer software	3 years
Leasehold improvements	Lesser of related lease term or useful life

Assets acquired under leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the terms of the leases. Equipment held under capital lease obligations is classified as property and equipment and amortized using the straight-line method over the lesser of their useful life or the term of the lease. Amortization of equipment under capital lease obligations is included with depreciation expense for similar types of equipment.

Repairs and maintenance are charged to expense as incurred. When assets are retired or otherwise disposed of, the asset and related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income.

Stock-Based Compensation

SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure, an amendment of SFAS No. 123*, allows companies to account for stock-based compensation using either the provisions of SFAS No. 123 or the provisions of Accounting Principles

2. Summary of Significant Accounting Policies (continued)

Stock-Based Compensation (continued)

Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees*, but requires pro forma disclosure in the notes to the financial statements as if the measurement provisions of SFAS No. 123 had been adopted. The Company accounts for its stock-based employee compensation in accordance with APB No. 25. Generally, no expense is recognized related to the Company's stock options because the option's exercise price is set at the underlying stock's fair market value on the date the option is granted.

The following table illustrates the effect on the net loss if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation:

	2003	**2002**
Pro forma net loss:		
As reported	**$(504,199)**	$(300,771)
Add: Noncash stock compensation included in reported net loss	–	10,000
Deduct: Total employee noncash stock compensation expense determined under fair value-based method for all awards	**(3,390)**	(13,260)
Pro forma net loss	**$(507,589)**	$(304,031)

The effect of applying SFAS No. 123 on a pro forma net loss as stated above is not necessarily representative of the effects on reported net loss for future years due to, among other things, the vesting period of the stock options and the fair value of additional options to be granted in the future years.

The weighted-average fair value of options granted during 2003 and 2002 was $0.13 and $0.02, respectively. The fair value of each option is estimated on the date of grant using the minimum value option-pricing model with the following assumptions used for grants issued during the year ended December 31, 2003 and 2002:

	2003	**2002**
Dividend yield	**0.00%**	0.00%
Average risk-free interest rate	**3.00%**	3.97%
Expected term	**5 years**	5 years

2. Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company generally maintains its cash balances in accounts with nationally recognized institutions. Customers are granted credit on an unsecured basis. Management monitors the creditworthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

Income Taxes

Deferred taxes are provided utilizing the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amount of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Advertising Costs

The Company expenses advertising costs as incurred. For the years ended December 31, 2003 and 2002, advertising costs totaled \$339,594 and \$189,219, respectively.

Recent Accounting Pronouncements

At the November 21, 2002 EITF meeting, the Task Force ratified as a consensus Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. In addition, the Task Force indicated that the guidance in the consensus is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company must adopt EITF No. 00-21 beginning January 1, 2004. The Company does not expect the adoption of EITF Issue No. 00-21 to have a material effect on the consolidated financial statements.

3. Property and Equipment

Property and equipment consist of the following:

	2003	2002
Computer and office equipment	**$ 972,638**	$ 545,735
Office furniture	**138,380**	120,601
Computer software	**262,803**	180,350
Leasehold improvements	**11,943**	7,951
	1,385,764	854,637
Less accumulated depreciation	**(637,577)**	(466,051)
Total	**$ 748,187**	$ 388,586

4. Note Payable

On January 8, 1998, the Company entered into an Investment Agreement with Sterling Software (Holder), which resulted in the issuance of a Convertible Promissory Note (Note) in the amount of $1 million. The Note accrued simple interest at a rate of 10% per annum, payable quarterly in arrears on the last day of each calendar quarter, beginning March 31, 1998. Principal payments were due quarterly beginning on March 31, 2000. The Note was to mature on January 9, 2005. The remaining balance of the Note of $650,000 was paid off during 2002.

5. Stockholders' Deficit

Common Stock

In January 2002, the Company's Board of Directors approved a ten-for-one stock split of the Company's common stock. Stockholders' deficit has been restated to give retroactive recognition to the stock split for all periods presented. All references to common shares for all periods presented have been retroactively restated to reflect the stock split.

5. Stockholders' Deficit (continued)

Common Stock (continued)

In January 2002, the Company repurchased a total of 480,000 outstanding shares of common stock from stockholders no longer involved with the Company for $0.10 per share. The Board of Directors, at the December 18, 2001, meeting, approved the stock repurchase. The Company repurchased the shares with the intention to hold the shares in treasury for future distribution. The shares are included in treasury stock. In January 2002, the Company issued 100,000 shares of common stock at $0.10 per share, which represented the fair value of the common stock at the time of issuance, to an individual following the confirmation of his appointment to the Board of Directors.

In August and October 2003, the Company repurchased a total of 50,000 and 2,500 outstanding shares of common stock, respectively, from stockholders no longer involved with the Company for $0.95 per share. The Board of Directors approved the stock repurchases at the August 12, 2003, and the October 9, 2003 meetings, respectively. The Company repurchased the shares with the intention to hold the shares in treasury for future distribution. The shares are included in treasury stock.

Stock Option Plan

On October 27, 1993, the Company adopted the 1993 Stock Incentive Plan (the Plan) to issue 2 million authorized shares of common stock to attract, retain, and reward key individuals who have contributed to the growth of the Company. These individuals include all employees and directors. The Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals are awarded options pursuant to the Plan, and the terms and option exercise prices of the stock options. The Plan terminated in October 2003. At December 31, 2003 and 2002, respectively, options to purchase 445,875 and 1,073,500 shares are outstanding and 1,436,000 and 1,514,000 shares are available for future grants.

Each qualified incentive stock option granted pursuant to the Plan has an exercise price equal to the fair market value of the common stock at the date of the grant and a term ranging from five to ten years. All options granted during 2002 were fully vested. The majority of options granted during 2003 vest over three years.

5. Stockholders' Deficit (continued)

Stock Option Plan (continued)

The following table summarizes the activity of the Company's Plan:

	Number of Options	Range of Exercise Prices	Weighted-Average Exercise Price
Balance at December 31, 2001	1,125,000	$0.10 to $0.80	$0.18
Granted	188,500	0.10	0.10
Exercised	(12,500)	0.10	0.10
Terminated	(227,500)	0.10 to 0.80	0.12
Balance at December 31, 2002	1,073,500	0.10 to 0.80	0.18
Granted	**306,500**	**0.95**	**0.95**
Exercised	**(758,125)**	**0.08 to 0.95**	**0.03**
Terminated	**(176,000)**	**0.01 to 0.95**	**0.31**
Balance at December 31, 2003	**445,875**	**$0.10 to $0.95**	**0.55**

Options to purchase 269,469 shares of the Company's common stock were exercisable at December 31, 2003 at a weighted-average per share exercise price of $0.29 per share. The weighted-average remaining contractual life of options outstanding at December 31, 2003 was 3.88 years.

The Company adopted the disclosure requirements of SFAS No. 148, *Accounting for Stock-Based Compensation.* The Company applies APB Opinion No. 25 and related interpretations in accounting for its Plan. Accordingly, compensation costs have been recognized for its stock plan based on the intrinsic value of the stock options at the date of grant. At December 31, 2003 and 2002, all stock options granted have been issued at the fair value of the Company's common stock, and therefore, no compensation cost has been recognized.

6. Related-Party Transactions

The Company paid $7,313 and $7,138 in 2003 and 2002, respectively, to an individual from the Company's primary legal counsel for his services as a director. The Company paid $24,691 and $8,242 to this law firm for legal services for the years ended December 31, 2003 and 2002, respectively. These amounts are included within general and administrative expenses. At December 31, 2003 and 2002, the Company owed this law firm $5,150 and $2,700, respectively, for services rendered during 2003 and 2002. These amounts are included within accounts payable and accrued expenses.

An individual from a consulting firm used by the Company also serves as a director of the Company. The Company paid this individual $12,000 in 2003 for his services as a director. These amounts are included within general and administrative expenses. The Company paid $79,755 to this consulting firm for client-related consulting services and corporate development services for the year ended December 31, 2003. At December 31, 2003, the Company owed this consulting firm $2,500 for services rendered during 2003. These amounts are included within accounts payable and accrued expenses.

In November 2003, the Company executed a promissory note totaling $47,415 due from its principal shareholders related to payments made by the Company on behalf of their personal insurance policies. The notes are payable on November 30, 2006, and bear interest at 1.5% per annum. As of December 31, 2003, no principal or interest amounts had been paid.

7. Income Taxes

The Company incurred pretax losses for the years presented herein and there are no income taxes provided in the accompanying statements of operations. At December 31, 2003 and 2002, the Company had net operating loss carryforwards (NOLs) of $2,016,616 and $830,563, respectively, that will expire through 2021. The realization of the benefits of the NOLs is dependent on sufficient taxable income in future years. Lack of further earnings, a change in the ownership, or the application of the alternative minimum tax rules could adversely affect the Company's ability to utilize the NOLs. The Company's net deferred tax assets consist of the following:

	2003	2002
Net deferred tax assets:		
Net operating loss carryforwards	**$ 738,888**	$ 304,318
Accrued bonuses	**24,778**	18,320
Allowance for doubtful accounts	**53,714**	24,713
Prepaid expenses	**(4,748)**	(13,294)
Book over tax depreciation	**(16,307)**	8,658
	796,325	342,715
Valuation allowance	**(796,325)**	(342,715)
Net deferred tax assets	**$ –**	$ –

A valuation allowance has been recorded to offset completely the carrying value of the net deferred tax asset due to the Company's lack of prior earnings.

8. Commitments and Contingencies

The Company leases office space and certain equipment under operating lease agreements. The Company currently has lease agreements for office space at two locations. Both lease agreements contain escalation clauses. As part of the lease agreement for the Company's primary office space, the Company paid a security deposit of $55,680. The security deposit is required under the terms of the lease. As part of the lease agreement for the Company's secondary office space, which was vacated in April 2003, the Company obtained a letter of credit from a bank of $31,260 as a security deposit on the leased space. The security deposit is required under the terms of the lease and the related letter of credit decreases to $20,840 on June 1, 2004, and further decreases to $10,420 on June 1, 2005. No amounts were outstanding under the letter of credit during 2003 or 2002. Rent expense related to these operating leases was $474,019 and $215,078 for the years ended December 31, 2003 and 2002, respectively.

Future minimum lease payments under capital and noncancelable operating leases are as follows as of December 31, 2003:

	Capital	Operating
2004	$ 5,820	$ 533,671
2005	4,850	266,504
2006	–	74,818
Total future minimum payments	10,670	$ 874,993
Less amount representing interest	957	
Present value of minimum lease payments	9,713	
Less current portion of capital lease obligations	5,077	
Long-term portion	$ 4,636	

Assets recorded under capital lease obligations aggregated $23,017 as of December 31, 2003 and 2002. Accumulated depreciation of assets under capital lease obligations totaled $14,577 and $9,974 at December 31, 2003 and 2002, respectively. Depreciation of assets under capital lease is included in depreciation expense.

The Company, from time to time, is subject to litigation relating to matters in the ordinary course of business. The Company believes that the ultimate liability from these contingencies will not have a material adverse effect on the Company's results of operations, financial position, or cash flows.

9. Employee Benefit Plan

The Company's employees participate in a defined contribution 401(k) retirement plan. The retirement plan allows employees of the Company to make pretax contributions to the plan subject to a statutorily prescribed annual limit. Each participant is fully vested in his or her contributions and the investment earnings. The Company may make discretionary contributions to the retirement plan. During the years ended December 31, 2003 and 2002, the Company made matching contributions totaling $19,000 and $11,524, respectively.

10. Subsequent Events

On January 15, 2004, the Company adopted the 2004 Stock Option Plan (2004 Plan) to issue 1,400,000 authorized shares of common stock to retain and reward key individuals who contribute to the success of the Company. These individuals include employees, consultants, or directors. The 2004 Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals receive awards under the 2004 Plan, and the terms and option exercise prices of stock options. The 2004 Plan terminates in January 2014.

ERNST & YOUNG

-INPUT – A NEVADA CORPORATION

BOARD OF DIRECTORS

JULY 2004

Peter A. Cunningham	Chairman of the Board, Director, and Treasurer.
Occupation:	President INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
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Patricia Cunningham	Director and Secretary
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Birth Date:	February 15, 1945
Kevin Plexico	Director (Elected 11/18/99)
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Birth Date:	May 8, 1970

William H. Bryant	Director, INPUT (Elected 3/20/81)
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David Heinemann	Director, INPUT (Elected 4/13/00)
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Thomas L. Hewitt	Director, INPUT (Re-Elected 9/1/03) (Prior Election 12/18/01-08/16/02)
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INPUT – A NEVADA CORPORATION

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* INPUT Employee 07/15/02
* No. Shares: 2,500

KIMBERLEY N. HOVDA (Jason)
Manager, Grants Products
210 Park Gate Drive SE
Leesburg, VA 20175
(703) 669-0544
DID # (703) 707-3574
khovda@input.com
*INPUT Employee 05/01/00
* No. Shares: 5,000

SCOTT P. MASSEY (Catherine)
Manager, IT Infrastructure
1004 Rachel Lane
Vienna, VA 22180
(703) 242-4505
DID # (703) 707-3505
smassey@input.com
* INPUT Employee 05/30/95
* No. Shares 50,000

KRISTEN M. MURPHY (Jason)
Sr. Account Manager, Client Services
42743 Freedom St.
Chantilly, VA 20152
(703) 327-2515
DID # (703) 707-3650
kmurphy@input.com
* INPUT Employee 12/01/03
* No. Shares: 375

DONALD A. PEACOCK
Sr. Sales Manager
1610 Leeds Castle Drive
Vienna, VA 22182
(703) 734-7766
DID # (703) 707-3636
dpeacock@input.com
* INPUT Employee 05/24/99
* No. Shares: 60,625

KEVIN M. PLEXICO (Deanna)
Executive Vice President
44018 Cheltenham Circle
Ashburn, VA 20147
(703) 858-0565
DID # (703) 707-3520
kplexico@input.com
** INPUT Employee: 12/07/92
* No. Shares: 500,000

PAYTON C. SMITH (Melissa)
Mgr., Public Sector Market Analysis
26185 Rachel Hill Drive
South Riding, VA 20152
(703) 327-5432
DID # (703) 707-3590
psmith@input.com
* INPUT Employee 08/27/01
* No. Shares: 15,000

ANDREW Y. SUNG (Heidi)
Strategic Account Manager
9520 Ewing Drive
Bethesda, MD 20817
(301) 897-8654
DID # (703) 707-3616
asung@input.com
*INPUT Employee 10/01/93
* No. Shares: 10,000

JASON T. WENGER (Carol)
Network Administrator
42741 Center Street
Chantilly, VA 20152
(703) 542-2278
DID # (703) 707-3507
jwenger@input.com
* INPUT Employee 04/8/02
* No. Shares: 2,500

WILLIAM H. YOUNG (GJ)
Mgr., Sales & Training Support
20260 Brookview Square
Ashburn, VA 20147
(703) 726-5253
DID # (703) 707-3640
wyoung@input.com
* INPUT Employee 10/02/95
* NO. Shares: 50,000

INPUT – A NEVADA CORPORATION

COMPANY OFFICERS

JULY 2004

Peter A. Cunningham	Chairman of the Board, Director.
Occupation:	President INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941

Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

Kevin Plexico	Director (Elected 11/99)
Occupation:	Executive Vice President, (Elected 8/00) (VP: Elected 1/98), (Hired 12/07/92) INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	44018 Cheltenham Circle Ashburn, VA 20147
Telephone:	(703) 858-0565
Birth Date:	May 8, 1970

Douglas Strahan	Vice President (Elected 10/11/01)
Occupation:	Chief Financial Officer (Hired 06/12/01) Treasurer (Elected 5/13/03) INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	1000 White Chimney Court Great Falls, VA 22066
Telephone:	(703) 757-1313
Birth Date:	10/15/62

Margaret Padalino	Vice President (Elected 01/15/04)
Occupation:	Vice President, Sales (Hired 12/2/03) INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	1168 Silver Beach Road Herndon, VA 20170
Telephone:	(703) 450-2303
Birth Date:	00/00/00

Thomas Sisti	Vice President (Elected 01/15/04)
Occupation:	Vice President, Consulting (Hired 12/08/03) INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	3612 Littledale Road Kensington, MD 20895
Telephone:	(301) 942-4376
Birth Date:	00/00/00

Steven Toole	Vice President (Elected 06/15/04)
Occupation:	Vice President, Marketing (Hired 05/10/04) INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	10871 Hunter Gate Way

	Reston, VA 20194
Telephone:	(703) 000-0000
Birth Date:	00/00/00

Dena Kisala	Vice President (Elected 06/15/04)
Occupation:	Vice President, MDS Operations (Hired 05/17/04) INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	20362 Flushing Meadows Court Ashburn, VA 20147
Telephone:	(703) 000-0000
Birth Date:	00/00/00

Jace D. Weiser	Vice President (Elected 06/15/04)
Occupation:	Chief Information Officer (Hired 07/06/04) INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	10208 Cedar Pond Drive Vienna, VA 22182
Telephone:	(703) 000-0000
Birth Date:	00/00/00

Pat Cunningham

From: Doug Strahan
Sent: Wednesday, July 20, 2005 2:13 PM
To: Peter Cunningham; Pat Cunningham
Subject: R-F INPUT 2004 Audited Financials

Attachments: R-F INPUT 2004 Audited Financials 072005 DSS.pdf

Filed: FIN F600 AUDIT
2004

R-F INPUT 2004
Audited Financi...

ttached is a pdf version of the financials for your reference.

Deloitte.

Deloitte & Touche LLP
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McLean, VA 22102-4219
USA

Tel: +1 703 251 1000
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July 11, 2005

Board of Directors
INPUT
Reston, Virginia

Dear Members of the Board of Directors:

In planning and performing our audit of the consolidated financial statements of INPUT (the "Company") for the year ended December 31, 2004, (on which we have issued our report dated July 11, 2005), we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control. However, we noted a certain matter involving the Company's internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the Company's internal control that, in our judgment, could adversely affect the Company's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition that we noted is described in Exhibit I.

We also submit our comments concerning certain observations and recommendations relating to other operating matters in Exhibit II. These recommendations resulted from our observations made in connection with our audit of the Company's consolidated financial statements for the year ended December 31, 2004.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss these comments with you.

Yours truly,

Deloitte + Touche LLP

EXHIBIT I

Accounting For Premiums Paid For the Cunninghams' Life Insurance Policy

Observation: In 1996, Peter and Patricia Cunningham purchased a life insurance policy and designated Peter and Patricia Cunningham 1995 Irrevocable Trust No. 2, dated December 30, 1995, as a beneficiary. In the same year, a collateral assignment was executed between the Company and the Peter and Patricia Cunningham 1995 Irrevocable Trust No. 2. The collateral assignment requires the Company to pay the premiums due on the policy and assigns the policy as collateral to the Company. The collateral assignment provides security for the repayment of the lesser of what the Company contributes toward the premiums due on the policy or the cash surrender value of the policy.

The Company should have recorded the premium payments as an asset in its financial statements since the inception of the policy. The Company has recorded the premium payments as an expense in the financial statements for the years 1996 through 2003.

In 2004, in an attempt to correct prior years' errors related to the premium payments, the Company reversed all the prior years' expenses (i.e., reduction of expenses) and recorded an asset for the same amount. During our audit of the December 31, 2004 financial statements, the Company determined that the amount the Company reversed was material to the Company's current year financial statements and the Company's prior year financial statements had to be restated.

Recommendation: The Company should design and implement an internal control process to properly identify and account for all significant accounting arrangements. The internal control process should include, but not limited to, an understanding of the arrangements by reading all related legal documents, researching the proper accounting, documenting the accounting policy, timely recording in proper accounts and a review to ensure proper presentation in the financial statements.

EXHIBIT II

Creation of an Accounting Policy Manual

Observation: The Company does not have current written accounting policies in certain areas. A comprehensive written accounting policy manual serves as a reference to accounting personnel to ensure that accounting policies and procedures are known and followed. Such a manual would also benefit the Company during turnover or absence of key accounting personnel.

Recommendation: In general, a company should prepare an accounting policies and procedures manual which should include the following:

- An organization chart including job descriptions and related qualifications.
- Major accounting conventions such as methods for calculating deferred expenses, depreciation, allowances, revenue, etc.
- Flowcharts of major accounting processes.
- A closing schedule, including what duties are to be performed, by whom and when.
- Recurring journal entries and supporting schedules to be prepared by the accounting department.
- A checklist to document the completion of the above procedures.

Periodic (Monthly or Quarterly) Reconciliation of the General Ledger

Observation: The Company had not recorded interest income for four years for a deposit made in 2000 for the purposes of securing the Company's office space.

Recommendation: To ensure the integrity, accuracy, timeliness and consistency of financial statements, we recommend the following:

- Develop and utilize monthly general ledger reconciliation procedures to verify the balance of general ledger accounts with the third party documents such as bank statements.

- Perform timely reconciliations and analyses of all significant accounts on a monthly basis and other accounts on a quarterly basis. Such reconciliations and analyses should be documented and reviewed by Company management. Significant variances should be analyzed and resolved as appropriate.

Safeguarding of Fixed Assets

Observation: Physical controls over fixed assets were inadequate. We noted the following areas where controls over fixed assets could be improved:

- Certain fixed assets are tracked with a manufacturers' serial number by the Company's information technology department; however, no other tags are attached to fixed assets to facilitate identification and security.

- A physical inventory of fixed assets is not performed, therefore reconciliation of the results of such a physical inventory to the fixed asset register can not be performed.

- The Company does not have formal policies in place for the retirement of fixed assets.

Recommendation: As the Company continues to grow controls over fixed assets will become more critical. To strengthen controls over fixed assets, we recommend the following:

- A tag with a unique identification number should be affixed to each movable fixed asset and recorded in the fixed asset register. This will enable identification of assets contained within the fixed asset register and assist in the recording of asset disposals.

- A physical inventory of assets should be performed. The results of the physical inventory should be reconciled to the fixed asset register and to the general ledger. Fixed assets should then be periodically counted on a cyclical basis.

- The Company should establish formal policies for the retirement of fixed assets (including the use of acquisition and disposal forms). These policies should be formally documented and followed.

Sarbanes-Oxley

Observation: The Sarbanes-Oxley Act of 2002 and the related rules (together, the "Act") seek, among other things, to promote corporate responsibility, enhance public disclosure, improve the quality and transparency of financial reporting, and strengthen penalties for violations of securities laws.

Recommendation: Although the Company is not subject to the Act, we would like to highlight certain provisions of the act and recommend procedures that management and the Company could conduct to hold itself accountable to the same requirements of a public company. This may be desirable considering the Company's plan to pursue an Initial Public Offering sometime in the next couple of years. The Company should review the following sections of the Act:

- Audit Committee Requirements — Section 301 of the Act addresses audit committee requirements, including, but not limited to:

    a. Independence provisions of its members.

    b. Establishment of procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters and for the confidential, anonymous submission of questionable accounting or auditing matters by Company employees.

    c. The appointment, compensation, and oversight of the audit and attestation work performed by independent auditors.

    d. Inclusion of at least one member who is a "financial expert".

- Enhanced Financial Disclosures — Requires disclosure of certain off-balance-sheet arrangements and aggregate contractual obligations as defined in the rule and prohibits material misstatements or omissions that would make the presentation of a non-GAAP financial measure misleading.

- Section 302 of the Act — Requires certain certifications, to also include certifications with respect to the effectiveness of internal control over financial reporting.

- Requirements of Section 404 of the Act — The issuance of Section 404, which was enacted to improve accountability for fair and accurate financial reporting, represents a major regulatory development that requires significant management attention. The level of effort and amount of lead-time necessary to comply with the requirements of Section 404 may be significant. Section 404 requires that each annual report contain an internal control report, which states the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting. That annual report must also contain an assessment, as of the end of the most recent fiscal year of the issuer, of the effectiveness of the internal control structure and procedures of the issuer for financial reporting. Compliance with the requirements of Section 404, if the Company chooses to be compliant, has many practical implications, including the following:

    a. Management will need to prepare a formal, in-depth assessment of the Company's internal control over financial reporting using an appropriate framework, such as the Internal Control Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

    b. Based on the assessment, management will be required to make an assertion concerning the effectiveness of internal control over financial reporting as of the Company's fiscal year end. Therefore, management should consider completing a preliminary assessment prior to year end to allow adequate time to address any deficiencies identified.

    c. Management's assertion will be required to be included in the certifications of its officers.

    d. The assertion made by management will be subject to the attestation by its independent auditors and a separate attestation report will be required to be filed annually.

    e. The compliance process will likely result in significant up-front and ongoing costs for the Company, including costs related to resources, technology, and professional fees.

    f. Addressing the internal control requirements of Section 404 is a major undertaking that requires commitment at the highest level of the organization and dedication of significant internal and external resources.

- Other Requirements - Section 406 of the Act requires that the Company develop and implement a code of ethics for senior financial officers.

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July 11, 2005

The Board of Directors
INPUT
Reston, Virginia

Dear Members of the Board of Directors:

We have audited the consolidated financial statements of INPUT (the "Company") for the year ended December 31, 2004, and have issued our report thereon dated July 11, 2005.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Company is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our engagement letter dated March 4, 2005. As described in that letter, those standards require, among other things, that we obtain an understanding of the Company's internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. We have issued a separate report to you, also dated July 11, 2005, containing our comments on the Company's internal control.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Company's 2004 financial statements include the allowance for doubtful accounts receivable and fair values related to the Company's common stock, in conjunction with its evaluation of stock-based compensation.

AUDIT ADJUSTMENTS

We believe that the audit adjustments presented in Appendix B, either individually or in the aggregate, would have a significant effect on the Company's financial reporting process.

The overall effect of the entries in Appendix B have the net effect of decreasing net income by $136,000, increasing total assets by $10,000, decreasing total liabilities by $26,000 and decreasing total stockholders' deficit by $36,000.

In addition to the current year's audit adjustments, we noted that effects of certain current year adjustments made, by the Company management, to correct the prior years' misstatements were material to the current year financial statements. And as a result, the prior year's financial statements have been restated by the Company.

There were no uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, as all misstatements detected in our audit have been corrected by management.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are set forth in Note 2 to the Company's 2004 consolidated financial statements. During the year ended December 31, 2004, there were no significant changes in previously adopted accounting policies or their application, other than the adoption of EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, as discussed in Note 2 to the Company's consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND PRACTICES

Critical accounting policies are those that are both most important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We believe the Company's critical accounting polices relate to revenue recognition and stock-based compensation. The Company's policies with respect to these items are described in Note 2 to the Company's 2004 consolidated financial statements.

ALTERNATIVE ACCOUNTING TREATMENTS

We had no discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, related to the year ended December 31, 2004.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Company's 2004 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters for the year ended December 31, 2004, except for

consultations with its predecessor auditor related to errors for which the prior year financial statements were restated.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDITS

In our judgment, we received the full cooperation of the Company's management and staff and had unrestricted access to the Company's senior management in the performance of our audit. However, the Company's improper accounting related to advances of premiums on behalf of the beneficiaries of the insurance policy and repurchases of immature shares of stock resulted in a restatement of the Company's prior year financial statements. This matter was identified in a separate report to you also dated July 11, 2005.

OTHER MATERIAL WRITTEN COMMUNICATIONS

A schedule listing those written communications that we believe constitute other material written communications between management and us, related to the audit of the consolidated financial statements for the year ended December 31, 2004 has been attached to this letter as Appendix A. A copy of such written communications has been attached to this letter.

* * * * *

This report is intended solely for the information and use of the Board of Directors, management, and others within the Company and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte + Touche LLP

Appendix A
Schedule of material written communications between management and us

- Engagement letter dated March 4, 2005
- Management representation letter dated July 11, 2005
- Management comment letter dated July 11, 2005

Appendix B
Summary of Audit Adjustments Recorded

	DR	CR
To Reverse Over Accrual of Presidents Club Expense		
Accrued Presidents club expense (Bonus)	$12,927.00	
Bonus Expense (Presidents club)		$12,927.00
To Properly Record Chantilly Office Lease Termination Fee		
Termination Expense (Rent Expense)	$100,000.00	
Accrued Liabilities		$100,000.00
To Correct Deferred Rent Related to Office Lease Terminations		
Deferred Rent	$93,540.00	
Rent Expense		$93,540.00
To Record Compensation Expense for Repurchase of Immature Shares		
Expense	$17,900.00	
Additional Paid in Capital		$17,900.00
To Reclassify to Cash from Interest Receivable on a CD account		
Cash Equivalents (CD)	$24,389.19	
Interest Receivable		$24,389.19
To Record Interest Earned for Past Four Years on a Deposit Account		
Other Current Assets	$20,771.82	
Interest Income		$10,376.25
Other Assets		$10,395.57
To Record Gross Up of Reimbursed Costs for Client-Related FOIA expense		
Expense	$29,704.68	
Reimbursed Costs Revenue		$1,931.50
Revenue		$27,773.18
To Reclassify Barter Income and Expenses		
Advertising Expense	$326,300.00	
Other Income (Barter)	$326,300.00	
Subscription Revenue		$326,300.00
Other Expense (Barter)		$326,300.00
To Gross Up Commission Paid to Independent Consultant		
External Labor	$19,500.00	
Consulting Revenue		$19,500.00
To Restate the 2003 Financial Statements and to Correct Accounting of Life Insurance Premiums		
Other Income	$160,602.22	
Other Assets		$160,602.22

To Record Difference between General Ledger and Accounts Receivable Detail		
Accounts Receivable	$3,425.00	
Subscription Revenue		$3,425.00
To Reverse U.K. Severance Expense that is Not Qualified to Accrue		
Accrued liability	$10,270.00	
Severance expense		$10,270.00
To Record Difference between General Ledger and Accounts Payable detail		
Accounts payable	$6,014.00	
Operating Expense		$6,014.00
To Record Loss on Disposal of Equipment in Operating Activity		
Loss (Operating)	$15,534.00	
Other Income		$15,534.00
To Record an Accounts Receivable Previously Written Off as Bad Debt		
Other income	$13,170.00	
Bad Debt Expense		$13,170.00
To Record Difference between Commissions Schedule to General Ledger		
Accrued Commissions	$3,222.00	
Commissions Expense		$3,222.00
To Record Settlement from a Legal Dispute as Income		
Legal Expense	$31,000.00	
Other Income		$31,000.00
To Properly Record discount on the Note Receivable I from Shareholder		
Accumulated Deficit	$4,283.87	
Discount on N/R I (Contra-asset)		$4,283.87
To Properly Record Imputed Interest Income for Note Receivable I for 2003		
Discount on N/R I (Contra-asset)	$119.00	
Interest Income		$119.00
To Properly Record Stated Interest Income for 2003		
Interest Receivable for Note I	$59.27	
Interest Income		$59.27
To Record Imputed Interest Income for Note Receivable I for 2004		
Discount on N/R (Contra-asset)	$1,426.65	
Interest Income		$1,426.65
To Record Discount on Note Receivable II from Shareholder		
Accumulated Deficit	$2,242.67	
Discount on N/R II (Contra-asset)		$2,242.67

To Record Imputed Interest Income for Note Receivable II for 2004		
Discount on N/R II (Contra-asset)	$349.40	
Interest Income		$349.40
To Record Stated Interest Income for 2004		
Interest Receivable for N/R I	$711.26	
Interest Receivable for N/R II	$402.69	
Interest Income		$1,113.95
To Properly Record Collection of Interest Income		
Interest Income	$551.00	
Interest Receivable for N/R I		$551.00
	$1,224,715.72	$1,224,715.72

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March 4, 2005

The Board of Directors of INPUT
Chairman of the Board
11951 Freedom Drive
Suite 1000
Reston, VA 20190

INPUT
Douglas S. Strahan, CFO
11951 Freedom Drive
Suite 1000
Reston, VA 20190

Dear Sirs:

Deloitte & Touche LLP ("D&T") is pleased to serve as independent accountants and auditors for INPUT (the "Company"). Mr. Chuck Carr will be responsible for the services that we perform for the Company. He will be assisted by Chase Berg, Audit Manager. Mr. Carr will, as he considers necessary, call on other individuals with specialized knowledge, either in this office or elsewhere in our firm, to assist in the performance of our services.

While auditing and reporting on the Company's annual financial statements for the year ending December 31, 2004, is the service that we are to provide under this engagement letter, we would also be pleased to assist the Company on issues as they arise throughout the year. Hence, we hope that the Company will call Mr. Carr whenever management believes he can be of assistance.

We will perform this engagement subject to the terms and conditions set forth herein.

AUDIT OF FINANCIAL STATEMENTS

Our audit of the Company's financial statements for the year ending December 31, 2004, will be conducted in accordance with auditing standards generally accepted in the United States of America (hereinafter referred to as "generally accepted auditing standards").

We will plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. However, because of the characteristics of fraud, a properly planned and performed audit may not detect a material misstatement. Therefore, an audit conducted in accordance with generally accepted auditing standards is designed to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. An audit is not designed to detect error or fraud that is immaterial to the financial statements.

An audit includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify reportable conditions.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant

estimates made by management, as well as evaluating the overall financial statement presentation.

The objective of our audit is the expression of an opinion on the fairness of the presentation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America (hereinafter referred to as "generally accepted accounting principles"), in all material respects. Our ability to express an opinion and the wording of our opinion will, of course, be dependent on the facts and circumstances at the date of our report. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of this engagement. If we are unable to complete our audit or if our auditors' report requires modification, the reasons therefor will be discussed with the Board of Directors and the Company's management.

THE BOARD OF DIRECTORS RESPONSIBILITY

The Board of Directors is responsible for informing us of its views about the risk of fraud within the Company and its knowledge of any fraud or suspected fraud affecting the Company.

MANAGEMENT'S RESPONSIBILITY

The financial statements are the responsibility of the Company's management. In this regard, management has the responsibility for, among other things: (1) establishing and maintaining effective internal control over financial reporting, (2) identifying and ensuring that the Company complies with the laws and regulations applicable to its activities and informing us of any known material violations of such laws or regulations, (3) properly recording transactions in the accounting records, (4) adjusting the financial statements to correct material misstatements, (5) making appropriate accounting estimates, (6) safeguarding assets, (7) the overall accuracy of the financial statements and their conformity with generally accepted accounting principles, and (8) making all financial records and related information available to us.

Additionally, management is responsible for the design and implementation of programs and controls to prevent and detect fraud and for informing us about all known or suspected fraud affecting the Company involving, (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, analysts, regulators, short sellers, or others.

We will make specific inquiries of the Company's management about the representations embodied in the financial statements. As part of our audit procedures, we will request that management provide us with a representation letter acknowledging management's responsibility for the preparation of the financial statements and affirming management's belief that the effects of any uncorrected financial statement misstatements aggregated by us during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We will also request that management confirm certain representations made to us during our audit. The responses to those inquiries and related written representations of management required by generally accepted auditing standards are part of the evidential matter that we will rely on as

auditors in forming our opinion on the Company's financial statements. Because of the importance of management's representations, the Company agrees to release and indemnify D&T and its personnel from all claims, liabilities, and expenses relating to our services under this engagement letter attributable to any misrepresentation by management.

If the Company intends to publish, or otherwise reproduce in any document, our report on the Company's financial statements, or otherwise make reference to D&T in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the Company agrees that its management will provide us with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of our report, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of our report in any such document would constitute the reissuance of our report. The Company also agrees that its management will notify us and obtain our approval prior to including our report on an electronic site.

Our engagement to perform the services described above does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the Company. Any request by the Company to reissue our report, to consent to its inclusion or incorporation by reference in an offering or other document, or to agree to its inclusion on an electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any services that would need to be performed in connection with any such request; fees for such services (and their scope) would be subject to our mutual agreement at such time as we are engaged to perform the services and would be described in a separate engagement letter.

It is also management's responsibility to ensure that the Company has not caused D&T's independence to be impaired by hiring a former or current D&T partner, principal, or professional employee in a key position, as defined in the *Code of Professional Conduct* of the American Institute of Certified Public Accountants (AICPA), that would cause a violation of the AICPA *Code of Professional Conduct* or other applicable independence rules. Any employment opportunities with the Company for a former or current D&T partner, principal, or professional employee should be discussed with Mr. Carr before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee. For the purpose of this paragraph, "D&T" shall mean Deloitte & Touche LLP and Deloitte Touche Tohmatsu, its member firms and the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu, and its member firms.

OTHER COMMUNICATIONS ARISING FROM THE AUDIT

In connection with the planning and the performance of our audit, generally accepted auditing standards require that certain matters be communicated to the Board of Directors. We will report directly to the Board of Directors any fraud of which we become aware that involves senior management, and any fraud (whether caused by senior management or other employees) of which we become aware that causes a material misstatement of the financial statements. We will report to senior management any fraud perpetrated by lower level employees of which we become aware that does not cause a material misstatement of the financial statements; however, we will not report such matters directly to the Board of Directors, unless otherwise directed by the Board of Directors.

We will inform the appropriate level of management of the Company and determine that the Board of Directors is adequately informed with respect to illegal acts that have been detected or have otherwise come to our attention in the course of our audit, unless the illegal act is clearly inconsequential.

We will also report directly to the Board of Directors and the Company's management matters coming to our attention during the course of our audit that we believe are reportable conditions. Reportable conditions are significant deficiencies in the design or operation of internal control that could adversely affect the Company's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

In addition, we will communicate to the Board of Directors, or determine that the board is informed, about certain other matters related to the conduct of our audit, including, when applicable:

- Our responsibility as auditors under generally accepted auditing standards
- Significant accounting policies
- Management judgments and accounting estimates
- Audit adjustments that have a significant effect on the financial reporting process
- Other information in documents containing audited financial statements
- Disagreements with management
- Consultation by management with other accountants on significant matters
- Difficulties encountered in performing the audit
- Major issues discussed with management prior to our retention as auditors.

We may also have other comments for the Board of Directors and management on matters we have observed and possible ways to improve the efficiency of the Company's operations or other recommendations concerning internal control.

COORDINATION OF THE AUDIT

We will plan the performance of our audit in accordance with the following timetable:

	Begin	Targeted for Completion
Audit Performance Schedule:		
Year-end audit procedures	April 11, 2005	May 13, 2005
Board of Directors Communications:		
Report on audit (including communications to the Board of Directors required by AU 380)		May 31, 2005
Reportable conditions, if any		May 31, 2005
Other management comments		May 31, 2005

Assistance to be supplied by the Company's personnel, including preparation of schedules and analyses of accounts, is described in a separate attachment. Timely completion of the Company's work will facilitate the completion of our audit by the targeted completion dates. We will notify you promptly of any circumstances we encounter that could significantly change the targeted completion dates. Appendix A provides a description of circumstances that could significantly change the targeted completion dates.

We are, of course, available to assist you in other areas that might arise.

FEES

We estimate that our total fees for this audit will be $70,000, plus expenses. Based on the anticipated timing of the work [as indicated above], our fees will be payable approximately as follows:

Invoice Date	Amount
March 14, 2005	$10,000
April 4, 2005	$25,000
April 18, 2005	$25,000
May 9, 2005	$10,000

Invoices will be sent according to the above schedule, and payments are due 30 days from the date of the invoice. Expenses will be billed in addition to fees. Expenses will be stated separately on the invoices.

The estimate of our fees is based on certain assumptions. To the extent that certain circumstances, as listed in Appendix A, arise during the engagement, our fee estimate may be significantly affected and additional fees may be necessary. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary. Additional services provided beyond the described scope of services will be billed separately.

* * * * *

If the above terms are acceptable to the Company, and the services outlined are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,

Deloitte + Touche LLP

March 4, 2005
Page 6

Accepted and agreed to by the Board of Directors of INPUT:

By: Peter G. Cunningham

Title: CHAIRMAN

Date: March 16, 2005.

Accepted and agreed to by INPUT:

By: Douglas S. [illegible]

Title: Sr Vice President & CFO

Date: 3/16/05

APPENDIX A - INPUT
CIRCUMSTANCES AFFECTING TIMING AND FEE ESTIMATE
YEAR ENDING DECEMBER 31, 2004

The fees quoted for auditing and reporting on the Company's annual financial statements for the year ending December 31, 2004 are based on certain assumptions. Circumstances may arise during the engagement that may significantly affect the targeted completion dates and our fee estimate. As a result, additional fees may be necessary. Such circumstances include but are not limited to the following:

1. Changes to the timing of the engagement at the Company's request. Changes to the timing of the engagement usually requires reassignment of personnel used by Deloitte & Touche LLP ("D&T") in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, D&T may incur significant unanticipated costs.

2. All audit schedules are not (a) provided by the Company on the date requested, (b) completed in a format acceptable to D&T, (c) mathematically correct, or (d) in agreement with the appropriate Company records (e.g., general ledger accounts). D&T will provide the Company with a separate listing of required schedules and deadlines.

3. Electronic files in an appropriate format and containing the information requested are not provided by the Company on the date requested for our use in performing file interrogation. D&T will provide the Company with a separate listing of the required files and the dates the files are needed.

4. Weaknesses in the internal control structure.

5. Significant new issues or changes as follows:

   a. Significant accounting issues that require an unusual amount of time to resolve.

   b. Significant changes in accounting policies or practices from those used in prior years.

   c. Significant changes or transactions that occur prior to the issuance of our reports.

   d. Significant changes in the Company's accounting personnel, their responsibilities, or their availability.

   e. Significant changes in auditing requirements set by regulators.

6. Significant delays in the Company's assistance in the engagement or delays by the Company in reconciling variances as requested by D&T. All invoices, contracts, and other documents, which we will identify for the Company, are not located by the Company's personnel or made ready for our easy access.

7. The engagement team, while performing work on the Company's premises, is not provided with [high-speed] access to the Internet [via the Company's existing network or through a T1, DSL, or cable connection] for purposes of conducting the engagement.

8. A trial balance in financial-statement format, which references to supporting detailed working papers (by general ledger account number), is not provided by the Company. All entries are not posted to this trial balance prior to our receiving it. Draft financial statements that agree with the trial balance and are internally referenced to supporting documentation (for footnotes and cash flow statements) are not prepared by the Company's personnel.

9. A significant level of proposed audit adjustments are identified during our audit.

10. Changes in audit scope caused by events that are beyond our control.

11. Untimely payment of our invoices as they are rendered.

INPUT®

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July 11, 2005

Deloitte & Touche LLP
1750 Tysons Blvd
McLean, VA 22102-4209

We are providing this letter in connection with your audit of the consolidated balance sheet of INPUT as of December 31, 2004 and the related consolidated statements of operations, stockholders' deficit, and cash flows for the year ended December 31, 2004, for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of INPUT (the "Company") in conformity with accounting principles generally accepted in the United States of America.

We confirm that we are responsible for the following:

a. The fair presentation in the consolidated financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America.

b. The design and implementation of programs and controls to prevent and detect fraud.

c. Establishing and maintaining effective internal control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.

2. The Company has made available to you all:

    a. Financial records and related data.

b. Minutes of the meetings of stockholders, directors, and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.

4. We have no knowledge of any fraud or suspected fraud affecting the Company involving (a) management, (b) employees who have significant roles in the Company's internal control over financial reporting, or (c) others if the fraud could have a material effect on the financial statements.

5. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, analysts, regulators, short sellers, or others.

6. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board ("FASB") Statement No. 5, *Accounting for Contingencies*.

7. We have disclosed to you any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year ended December 31, 2004, which has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Except where otherwise stated below, matters less than $10,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

8. There are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

9. The Company has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

10. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:

    a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).

    b. Guarantees, whether written or oral, under which the Company is contingently liable.

11. In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

    a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of

the financial statements will change in the near term due to one or more future confirming events.

b. The effect of the change would be material to the financial statements.

12. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

    a. The concentration exists at the date of the financial statements.

    b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.

    c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

13. There are no:

    a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

    b. Other liabilities or gain or loss contingencies that are required to be.accrued or disclosed by FASB Statement No. 5, *Accounting for Contingencies.*

14. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

15. The Company has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance.

16. Other than those described in Note 10 to the financial statements, no events have occurred subsequent to December 31, 2004, that require consideration as adjustments to or disclosures in the financial statements.

17. In 2004, no one customer accounted for 10% or more of the Company's total revenue, and at any time during 2004 no one customer had 10% or more of the Company's accounts receivable.

18. In an assessment to determine whether variable accounting is required for the Company's repurchases of immature stocks under EITF Issue 00-23, *Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44,* we believe that it is not probable that we will repurchase immature shares from each option grantee at the date of grant and we do not have an intention to terminate option grantees. However, we believe that it is probable that shares will be repurchased from terminated employees.

19. Pursuant to Item 4 of 1993 Incentive Stock Option Agreement, the Company allows an employee to exercise his or her options by promissory notes in lieu of cash. There had been no options exercised through the use of promissory notes in 2004 under Item 4 of 1993 Incentive Stock Option Agreement. In addition, there were no promissory notes (that had been used to exercise options) outstanding in 2004.

20. Under Item 5(c) of 2004 Stock Option Plan, the Company allows an employee to exercise his or her options by other common stock of the Company, a deferred payment arrangement, or any other form of legal consideration that may be acceptable to the Company's Board of Directors. In 2004, there were no options exercised other than by cash under Item 5(c) of 2004 Stock Option Plan.

21. Under Item 5(g) of 2004 Stock Option Plan, the option may, but need not, include a provision whereby the optionee may elect at any time during the term of his or her employment or relationship as a consultant, advisor or Director with the Company or any affiliate to exercise the option as to any part or all of the shares subject to the option prior to the stated vesting date of the option specified. There are no option agreements that include this provision in 2004.

22. Under Item 5(h) of 2004 Stock Option Plan, the optionee may satisfy any federal, state or local tax withholding obligation relating to the exercise of such option by authorizing the Company to withhold from the shares of the common stock otherwise issuable to the participant as a result of the exercise of the stock option a number of shares having a fair market value less than or equal to the amount of the withholding tax obligation. No stocks were withheld to satisfy any federal, state, or local tax obligation under this provision in 2004.

23. The Company holds an investment in bonds that were issued by First Union Securities, Inc.'s Trust Number B-2. The value of the investment at December 31, 2004 was $700,000. While the Company held this investment in 2004, the Company had a full control over this investment with a unilateral ability to redeem the investment at any time without any penalties and no other parties had a right to sell the investment at any time during 2004.

24. All the contracts, where their revenue was recognized relative to the Company's proportionate performance based on the ratio that total costs incurred to date bear to the total estimated costs of the contract, were completed in 2004. The revenue of one contract, dated June 30, 2004, to perform advisory work for the SCC Alliance was recognized based on the days of service performed.

25. We have evaluated all available evidence with respect to the Company's ability to continue as a going concern and have determined that the Company will continue as a going concern for at least one year from the date of this letter.

26. We believe that the effects of the correction of misstatements related to prior years' financial statements in the current year financial statements are material and therefore, the Company's prior year financial statements have been restated.

27. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.

28. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.

29. We believe that all expenditures that have been deferred to future periods are recoverable.

30. The valuation allowance has been determined pursuant to the provisions of FASB Statement No. 109, *Accounting for Income Taxes*, including the Company's estimation of future taxable income, if necessary, and is adequate to reduce the total deferred tax asset to an amount that will more likely than not be realized.

31. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by your prior-year auditor during the prior-year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended December 31, 2004 taken as a whole.

32. There are no control deficiencies in the design or operation of internal control over financial reporting that could adversely affect the Company's ability to initiate, record, process, and report financial information.

33. We have no intention of terminating our 401(k) plan or taking any other action that could result in an effective termination or reportable event for the plan. We are not aware of any occurrences that could result in the termination of our 401(k) plan to which we contribute.

34. We believe that the following assumptions are appropriate to calculate the fair value of the options (that were issued in 2004) for the purpose of a disclosure required under SFAS 123:

    a. Expected life – five years

    b. Volatility – 0.0001%

    c. Risk-free interest rate – 3.63%

    d. Fair market value – $0.95.

35. Subsequent to the issuance of the Company's financial statements as of and for the year ended December 31, 2003, the Company became aware of a collateral assignment related to a personal insurance policy for its principal shareholders. Previously, the amounts paid were expensed rather than recording the lesser of the premiums paid, less amounts reimbursed by the principal shareholders, or the cash surrender value as an asset. Additionally, an adjustment was required to record stock compensation expense related to the repurchase of immature common stocks. Consequently, the Company's 2003 financial statements have restated as follows:

	As Previously Reported		As Restated
Other assets	$ 87,943		$ 248,545
Total assets	7,899,747		8,060,349

Additional paid-in capital	–		16,912
Accumulated deficit	(2,433,100)		(2,289,410)
Total stockholders' deficit	(2,385,144)		(2,224,542)
Total liabilities and stockholders' deficit	(7,899,747)		(8,060,349)
General and administrative expenses	1,843,695		1,875,634
Total operating expenses	10,973,227		11,005,166
Loss from operations	(511,603)		(543,542)
Net loss	(504,199)		(536,138)

36. All documentation related to sales transactions is contained in customer files. We also confirm that:

   a. We are not aware of any "side agreements" with any companies that are inconsistent with the applicable sales agreement, the customer's purchase order, sales invoice, or any other documentation contained in the customer's file. For the purposes of this letter, a "side agreement" is any agreement, understanding, promise, or commitment (whether written (e.g., in the form of a letter or formal agreement or in the form of any exchange of physical or electronic communications) or oral) by or on behalf of the Company (or any subsidiary, director, employee, or agent of the Company) with a customer from whom revenue has been recognized that is not contained in the written purchase order from the customer or sales order confirmation and sales invoice of the Company delivered to or generated by the Company's Accounting and Finance Department. The definition of a side agreement is not limited by any particular subject matter. For purposes of example only, any agreement not contained in the written purchase order from the customer or sales order and sales invoice of the Company that relates to return rights, acceptance rights, future pricing, payment terms, free consulting, free maintenance, or exchange rights would be a side agreement.

   b. We are not aware of any commitments or concessions to a customer regarding pricing or payment terms outside of the terms documented in the customer's file.

Peter A. Cunningham, Chief Executive Officer

Douglas S. Strahan, Chief Financial Officer

Russ Odom, Controller

Deloitte.

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July 11, 2005

Board of Directors
INPUT
Reston, Virginia

Dear Members of the Board of Directors:

In planning and performing our audit of the consolidated financial statements of INPUT (the "Company") for the year ended December 31, 2004, (on which we have issued our report dated July 11, 2005), we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control. However, we noted a certain matter involving the Company's internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the Company's internal control that, in our judgment, could adversely affect the Company's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition that we noted is described in Exhibit I.

We also submit our comments concerning certain observations and recommendations relating to other operating matters in Exhibit II. These recommendations resulted from our observations made in connection with our audit of the Company's consolidated financial statements for the year ended December 31, 2004.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss these comments with you.

Yours truly,

Deloitte + Touche LLP

EXHIBIT I

Accounting For Premiums Paid For the Cunninghams' Life Insurance Policy

Observation: In 1996, Peter and Patricia Cunningham purchased a life insurance policy and designated Peter and Patricia Cunningham 1995 Irrevocable Trust No. 2, dated December 30, 1995, as a beneficiary. In the same year, a collateral assignment was executed between the Company and the Peter and Patricia Cunningham 1995 Irrevocable Trust No. 2. The collateral assignment requires the Company to pay the premiums due on the policy and assigns the policy as collateral to the Company. The collateral assignment provides security for the repayment of the lesser of what the Company contributes toward the premiums due on the policy or the cash surrender value of the policy.

The Company should have recorded the premium payments as an asset in its financial statements since the inception of the policy. The Company has recorded the premium payments as an expense in the financial statements for the years 1996 through 2003.

In 2004, in an attempt to correct prior years' errors related to the premium payments, the Company reversed all the prior years' expenses (i.e., reduction of expenses) and recorded an asset for the same amount. During our audit of the December 31, 2004 financial statements, the Company determined that the amount the Company reversed was material to the Company's current year financial statements and the Company's prior year financial statements had to be restated.

Recommendation: The Company should design and implement an internal control process to properly identify and account for all significant accounting arrangements. The internal control process should include, but not limited to, an understanding of the arrangements by reading all related legal documents, researching the proper accounting, documenting the accounting policy, timely recording in proper accounts and a review to ensure proper presentation in the financial statements.

EXHIBIT II

Creation of an Accounting Policy Manual

Observation: The Company does not have current written accounting policies in certain areas. A comprehensive written accounting policy manual serves as a reference to accounting personnel to ensure that accounting policies and procedures are known and followed. Such a manual would also benefit the Company during turnover or absence of key accounting personnel.

Recommendation: In general, a company should prepare an accounting policies and procedures manual which should include the following:

- An organization chart including job descriptions and related qualifications.
- Major accounting conventions such as methods for calculating deferred expenses, depreciation, allowances, revenue, etc.
- Flowcharts of major accounting processes.
- A closing schedule, including what duties are to be performed, by whom and when.
- Recurring journal entries and supporting schedules to be prepared by the accounting department.
- A checklist to document the completion of the above procedures.

Periodic (Monthly or Quarterly) Reconciliation of the General Ledger

Observation: The Company had not recorded interest income for four years for a deposit made in 2000 for the purposes of securing the Company's office space.

Recommendation: To ensure the integrity, accuracy, timeliness and consistency of financial statements, we recommend the following:

- Develop and utilize monthly general ledger reconciliation procedures to verify the balance of general ledger accounts with the third party documents such as bank statements.

- Perform timely reconciliations and analyses of all significant accounts on a monthly basis and other accounts on a quarterly basis. Such reconciliations and analyses should be documented and reviewed by Company management. Significant variances should be analyzed and resolved as appropriate.

Safeguarding of Fixed Assets

Observation: Physical controls over fixed assets were inadequate. We noted the following areas where controls over fixed assets could be improved:

- Certain fixed assets are tracked with a manufacturers' serial number by the Company's information technology department; however, no other tags are attached to fixed assets to facilitate identification and security.

- A physical inventory of fixed assets is not performed, therefore reconciliation of the results of such a physical inventory to the fixed asset register can not be performed.

- The Company does not have formal policies in place for the retirement of fixed assets.

Recommendation: As the Company continues to grow controls over fixed assets will become more critical. To strengthen controls over fixed assets, we recommend the following:

- A tag with a unique identification number should be affixed to each movable fixed asset and recorded in the fixed asset register. This will enable identification of assets contained within the fixed asset register and assist in the recording of asset disposals.

- A physical inventory of assets should be performed. The results of the physical inventory should be reconciled to the fixed asset register and to the general ledger. Fixed assets should then be periodically counted on a cyclical basis.

- The Company should establish formal policies for the retirement of fixed assets (including the use of acquisition and disposal forms). These policies should be formally documented and followed.

Sarbanes-Oxley

Observation: The Sarbanes-Oxley Act of 2002 and the related rules (together, the "Act") seek, among other things, to promote corporate responsibility, enhance public disclosure, improve the quality and transparency of financial reporting, and strengthen penalties for violations of securities laws.

Recommendation: Although the Company is not subject to the Act, we would like to highlight certain provisions of the act and recommend procedures that management and the Company could conduct to hold itself accountable to the same requirements of a public company. This may be desirable considering the Company's plan to pursue an Initial Public Offering sometime in the next couple of years. The Company should review the following sections of the Act:

- Audit Committee Requirements — Section 301 of the Act addresses audit committee requirements, including, but not limited to:

  a. Independence provisions of its members.

  b. Establishment of procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters and for the confidential, anonymous submission of questionable accounting or auditing matters by Company employees.

  c. The appointment, compensation, and oversight of the audit and attestation work performed by independent auditors.

  d. Inclusion of at least one member who is a "financial expert".

- Enhanced Financial Disclosures — Requires disclosure of certain off-balance-sheet arrangements and aggregate contractual obligations as defined in the rule and prohibits material misstatements or omissions that would make the presentation of a non-GAAP financial measure misleading.

- Section 302 of the Act — Requires certain certifications, to also include certifications with respect to the effectiveness of internal control over financial reporting.

- Requirements of Section 404 of the Act — The issuance of Section 404, which was enacted to improve accountability for fair and accurate financial reporting, represents a major regulatory development that requires significant management attention. The level of effort and amount of lead-time necessary to comply with the requirements of Section 404 may be significant. Section 404 requires that each annual report contain an internal control report, which states the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting. That annual report must also contain an assessment, as of the end of the most recent fiscal year of the issuer, of the effectiveness of the internal control structure and procedures of the issuer for financial reporting. Compliance with the requirements of Section 404, if the Company chooses to be compliant, has many practical implications, including the following:

  a. Management will need to prepare a formal, in-depth assessment of the Company's internal control over financial reporting using an appropriate framework, such as the Internal Control Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

  b. Based on the assessment, management will be required to make an assertion concerning the effectiveness of internal control over financial reporting as of the Company's fiscal year end. Therefore, management should consider completing a preliminary assessment prior to year end to allow adequate time to address any deficiencies identified.

  c. Management's assertion will be required to be included in the certifications of its officers.

  d. The assertion made by management will be subject to the attestation by its independent auditors and a separate attestation report will be required to be filed annually.

  e. The compliance process will likely result in significant up-front and ongoing costs for the Company, including costs related to resources, technology, and professional fees.

  f. Addressing the internal control requirements of Section 404 is a major undertaking that requires commitment at the highest level of the organization and dedication of significant internal and external resources.

- Other Requirements - Section 406 of the Act requires that the Company develop and implement a code of ethics for senior financial officers.

INPUT

Consolidated Financial Statements

Year ended December 31, 2004 and Independent Auditors' Report

INPUT

Consolidated Financial Statements

Year Ended December 31, 2004

Contents

Deloitte.

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Independent Auditors' Report

The Board of Directors
INPUT
Reston, Virginia

We have audited the accompanying consolidated balance sheet of INPUT (the "Company") as of December 31, 2004, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

July 11, 2005

INPUT

Consolidated Balance Sheet

	December 31, 2004
Assets	
Current assets:	
Cash and cash equivalents	$ 3,145,864
Accounts receivable, net of allowance for doubtful accounts of $203,393	4,601,965
Prepaid expenses and other current assets	122,635
Total current assets	7,870,464
Property and equipment, net	1,002,945
Other assets	239,055
Due from related party	94,835
Total assets	$ 9,207,299
Liabilities and stockholders' deficit	
Current liabilities:	
Accounts payable	$ 313,549
Accrued expenses	1,307,192
Capital lease obligation, current portion	4,590
Deferred revenue, current portion	10,951,654
Total current liabilities	12,576,985
Deferred revenue, noncurrent portion	225,732
Total liabilities	12,802,717
Commitments and contingencies *(Note 7)*	
Stockholders' deficit:	
Common stock, $0.01 par value, 20,000,000 shares authorized; 8,858,510 shares issued and 8,856,010 outstanding	60,860
Additional paid-in capital	1,646
Treasury stock, 2,500 shares, at cost	(2,375)
Accumulated deficit	(3,644,220)
Accumulated other comprehensive loss	(11,329)
Total stockholders' deficit	(3,595,418)
Total liabilities and stockholders' deficit	$ 9,207,299

See accompanying notes.

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Consolidated Statement of Operations

	Year ended December 31, 2004
Revenues	$ 16,774,509
Operating expenses:	
Cost of revenues	5,481,603
Sales and marketing	8,019,574
Research and development	1,959,426
General and administrative	2,315,207
Depreciation and amortization	440,298
Total operating expenses	18,216,108
Loss from operations	(1,441,599)
Other income (expense)	93,315
Net loss	$ (1,348,284)

See accompanying notes.

INPUT

Consolidated Statement of Stockholders' Deficit

	Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	Loss	Deficit	Deficit
Balance at December 31, 2003								
(As previously reported)	8,743,135	$59,831	$ –	12,500	$ (11,875)	$ –	$ (2,433,100)	$ (2,385,144)
Prior period adjustment (see Note 9)	–	–	16,912	–	–	–	143,690	160,602
Balance at December 31, 2003								
(As restated, see Note 9)	8,743,135	59,831	16,912	12,500	(11,875)	–	(2,289,410)	(2,224,542)
Repurchase of common stock	(27,500)	–	–	27,500	(26,125)	–	–	(26,125)
Stock-based compensation expense	–	–	17,900	–	–	–	–	17,900
Issuance of common stock upon exercise of options	140,375	1,029	(33,166)	(37,500)	35,625	–	–	3,488
Discount on related party notes	–	–	–	–	–	–	(6,526)	(6,526)
Components of Comprehensive Loss								
Currency translation adjustments	–	–	–	–	–	(11,329)	–	(11,329)
Net loss	–	–	–	–	–	–	(1,348,284)	(1,348,284)
Comprehensive Loss	–	–	–	–	–	(11,329)	(1,348,284)	(1,359,613)
Balance at December 31, 2004	8,856,010	$ 60,860	$ 1,646	2,500	$ (2,375)	$ (11,329)	$ (3,644,220)	$ (3,595,418)

See accompanying notes.

INPUT

Consolidated Statement of Cash Flows

	Year ended December 31, 2004
Cash flows from operating activities	
Net loss	$ (1,348,284)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	440,298
Provision for doubtful accounts	56,793
Loss on disposal of fixed assets	15,535
Stock-based compensation expense	17,900
Amortization of discount on related party notes receivable	(1,895)
Changes in operating assets and liabilities:	
Accounts receivable	(933,240)
Prepaid expenses and other current assets	9,736
Other assets	(2,883)
Due from related party	(47,420)
Accounts payable and accrued expenses	(129,093)
Deferred revenue	2,665,329
Other long-term liabilities	(20,452)
Net cash provided by operating activities	722,324
Cash flows from investing activities	
Purchase of property and equipment	(711,691)
Proceeds from sale of property and equipment	1,100
Net cash used in investing activities	(710,591)
Cash flows from financing activities	
Repurchase of common stock	(26,125)
Proceeds from exercise of stock options	3,488
Principal payments on capital lease obligations	(5,123)
Net cash used in financing activities	(27,760)
Effect of exchange rates on cash	165
Net decrease in cash and cash equivalents	(15,862)
Cash and cash equivalents at beginning of year	3,161,726
Cash and cash equivalents at end of year	$ 3,145,864
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	$ 700
Non-cash disclosure	
Imputed interest on related party notes receivable	$ 6,526

See accompanying notes.

1. Organization

INPUT ("INPUT" or the "Company") provides information services, market analysis, consulting, software solutions, and events to help technology vendors win more government business, and to help government organizations further advance their IT initiatives. The Company has four primary lines of business to meet the information, analysis, and software needs of its customers: market development services, consulting services, software solutions, and events.

The Company was initially incorporated in December 1976 under the laws of the state of California. The common stock of the California corporation was no par stock. In August 2000, the Company created an entity incorporated in the state of Nevada. In January 2001, the California corporation merged into the Nevada corporation, with the Nevada corporation being the surviving entity. The common stock of the Nevada corporation has a par value of $0.01. The accompanying consolidated financial statements include the accounts of INPUT, a Nevada corporation; INPUT, Inc., a Virginia corporation and wholly owned subsidiary; INPUT Limited, a wholly owned subsidiary operating in the United Kingdom; INPUT SARL, a wholly owned subsidiary operating in France; and INPUT, GmbH, a wholly owned subsidiary operating in Germany.

The Company's operations are subject to certain risks and uncertainties that could affect future operations and financial performance. Other risks to which the Company is exposed include uncertainties relating to product development; rapidly changing technology; current and potential competitors with greater financial, technological, production, and marketing resources; and dependence on key management personnel.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company's revenues consist of subscription revenues, services revenues, and software revenues. The Company recognizes revenue in accordance with Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements*, as amended by SAB No. 104, *Revenue Recognition*, EITF 00-3, *Application of AICPA Statement of Position 97-2 to Arrangements that Include the Right to Use Software Stored on Another Entity's Hardware* and EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables.*

Subscription-based revenues are revenues derived from arrangements in which our clients subscribe to our hosted software products and services. Revenues are recognized ratably over the contract term, typically one year. Multiple subscription products are sold on single contracts and revenues are recognized at relative fair market value for each component.

Services revenues are derived from the delivery of market studies and surveys, market assessments and forecasts, and due diligence and competitive benchmark studies. Revenues are recognized relative to the Company's proportionate performance based on the ratio that total costs incurred to date bear to the total estimated costs of the contract, or other appropriate input or output measure, or the completed contract method, depending on the terms of the contract.

Software revenues are derived from arrangements in which our clients license proprietary software developed and hosted by the Company. Software licenses are sold with implementation, configuration, maintenance and support services. The Company has not sold these services on a stand-alone basis and, therefore, has not determined the fair value of those services. Accordingly, software license revenue is recognized ratably over the term of the arrangement after implementation and configuration services are completed.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Events revenues are derived from breakfast events, conferences and seminars. Revenues are recognized when the event is completed.

Barter transactions represent the exchange of the Company's subscription services for merchandise or services. Revenue is recorded at the fair value of the subscription services relinquished. Expense is recorded at the fair value of the merchandise or services received. Revenue is recognized on barter transactions over the term of the arrangement for subscriptions. Expenses are recorded when the merchandise or service received is utilized, generally ratably over the contract term. Barter revenue for the year ended December 31, 2004 was $326,300 and is included in revenue. Barter expense for the year ended December 31, 2004 was $326,300 and is included in sales and marketing expense.

Advance payments are recorded as deferred revenue until services are delivered or obligations are met. Deferred revenue represents the difference between the amounts invoiced and the amounts recognized as revenues.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity or redemption feature of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured amounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash

Included in other assets at December 31, 2004 is restricted cash of $10,420 associated with a letter of credit securing payments under the Company's office lease (see Note 7).

Impairment of Long-Lived Assets

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,* but retains its fundamental provision for recognizing and measuring impairment of long-lived assets to be held and used. This Statement requires that all long-lived assets to be disposed of by sale be carried at the

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets (continued)

lower of carrying amount or fair value less cost to sell, and that depreciation cease to be recorded on such assets. SFAS No. 144 standardizes the accounting and presentation requirements for all long-lived assets to be disposed of by sale, and supersedes previous guidance for discontinued operations of business segments. In accordance with SFAS No. 144, the Company reviews its recorded long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Based on the Company's analysis, there were no impairment issues for the year ended December 31, 2004.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computer and office equipment	3-5 years
Office furniture	5 years
Computer software	3 years
Leasehold improvements	Lesser of related lease term or useful life

Assets acquired under leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the terms of the leases. Equipment held under capital lease obligations is classified as property and equipment and amortized using the straight-line method over the lesser of their useful life or the term of the lease. Amortization of equipment under capital lease obligations is included with depreciation expense for similar types of equipment.

Repairs and maintenance are charged to expense as incurred. When assets are retired or otherwise disposed of, the asset and related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income.

Stock-Based Compensation

SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock Based Compensation—Transition and Disclosure, an amendment of SFAS No. 123*, allows companies to account for stock-based compensation using either the provisions of SFAS No. 123 or the provisions of Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees*, but requires pro

2. Summary of Significant Accounting Policies (continued)

Stock-Based Compensation (continued)

forma disclosure in the notes to the financial statements as if the measurement provisions of SFAS No. 123 had been adopted. The Company accounts for its stock-based employee compensation in accordance with APB No. 25. Generally, no expense is recognized related to the Company's stock options because the option's exercise price is set at the underlying stock's fair market value on the date the option is granted.

The following table illustrates the effect on the net loss if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation:

	Year Ended December 31, 2004
Pro forma net loss:	
As reported	**$(1,348,284)**
Add: Stock compensation expense related to repurchase of immature shares	**17,900**
Deduct: Total employee noncash stock compensation expense determined under fair value-based method for all awards	**(12,651)**
Pro forma net loss	**$(1,343,035)**

The effect of applying SFAS No. 123 on a pro forma net loss as stated above is not necessarily representative of the effects on reported net loss for future years due to, among other things, the vesting period of the stock options and the fair value of additional options to be granted in the future years.

The weighted-average fair value of options granted during 2004 was $0.95. The fair value of each option is estimated on the date of grant using the minimum value option-pricing model with the following assumptions used for grants issued during the year ended December 31, 2004:

Dividend yield	**0.00%**
Average risk-free interest rate	**3.63%**
Expected term	**5 years**

2. Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company generally maintains its cash balances in accounts with nationally recognized institutions. Customers are granted credit on an unsecured basis. Management monitors the creditworthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

Income Taxes

Deferred taxes are provided utilizing the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amount of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Advertising Costs

The Company expenses advertising costs as incurred. For the year ended December 31, 2004, total advertising costs including barter transactions were $552,065. Advertising costs related to barter transactions were $326,300 for the year ended December 31, 2004.

Other Comprehensive Loss

All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as foreign currency translation adjustments, a component of accumulated other comprehensive loss, net within the stockholders' deficit section of the consolidated balance sheet. As of December 31, 2004, accumulated other comprehensive loss included a loss from foreign currency translation adjustments of $11,329.

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, or SFAS 123R, which requires all share-based payments to employees, including grants of employee stock options and purchases under employee stock purchase plans, to be recognized as expenses in the statement of operations based on their fair values and vesting periods. The Company plans to adopt the provisions of SFAS 123R as of January 1, 2006. The Company does not expect the adoption of SFAS 123R to have a material effect on the consolidated financial statements.

3. Property and Equipment

Property and equipment consist of the following:

	December 31, 2004
Computer and office equipment	**$1,365,800**
Office furniture	**92,083**
Computer software	**566,988**
Leasehold improvements	**11,944**
	2,036,815
Less accumulated depreciation	**(1,033,870)**
Total	**$1,002,945**

4. Stockholders' Deficit

Common Stock

In July, August and October 2004, the Company repurchased a total of 10,000, 15,000 and 2,500, respectively, outstanding shares of common stock primarily from stockholders no longer employed with the Company for $0.95 per share. The Board of Directors approved the stock repurchases at the July 2004, August 2004 and the October 2004 meetings, respectively. The Company repurchased the shares with the intention to hold the shares in treasury for future distribution. The shares are included in treasury stock.

4. Stockholders' Deficit (continued)

Stock Option Plan

On October 27, 1993, the Company adopted the 1993 Stock Incentive Plan (the "Plan") to issue 2,600,000 authorized shares of common stock to attract, retain, and reward key individuals who have contributed to the growth of the Company. These individuals include all employees and directors. The Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals are awarded options pursuant to the Plan, and the terms and option exercise prices of the stock options. The Plan terminated in October 2003.

On January 15, 2004, the Company adopted the 2004 Stock Option Plan (the "2004 Plan") to issue 1,400,000 authorized shares of common stock to retain and reward key individuals who contribute to the success of the Company. These individuals include employees, consultants, or directors. The 2004 Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals receive awards under the 2004 Plan, and the terms and option exercise prices of stock options. The 2004 Plan terminates in January 2014. At December 31, 2004, options to purchase 650,500 shares are outstanding and 1,018,000 shares are available for future grants.

Each qualified and non-qualified incentive stock option granted pursuant to the plans has an exercise price equal to the fair market value of the common stock at the date of the grant and a term ranging from five to ten years. The majority of options granted during 2004 vest over three to four years.

The following table summarizes the activity of the Company's plans:

	Number of Options	Range of Exercise Prices	Weighted-Average Exercise Price
Balance at December 31, 2003	**445,875**	**\$0.01 to \$0.95**	**\$0.55**
Granted	**428,500**	**0.95**	**0.95**
Exercised	**(140,375)**	**0.01 to 0.95**	**0.02**
Terminated	**(83,500)**	**0.10 to 0.95**	**0.85**
Balance at December 31, 2004	**650,500**	**\$0.10 to \$0.95**	**\$0.89**

4. Stockholders' Deficit (continued)

Stock Option Plan (continued)

Options to purchase 214,438 shares of the Company's common stock were exercisable at December 31, 2004 at a weighted-average per share exercise price of $0.77 per share. The weighted-average remaining contractual life of options outstanding at December 31, 2004 was 4.18 years.

The 1993 Stock Incentive Plan contains a provision to repurchase stock from former employees within 90 days of termination and the 2004 Stock Option Plan contains a provision to repurchase stock from former employees within six months of termination. During 2004, the Company repurchased 27,500 shares of stock at $0.95 per share. Of these repurchases during 2004, 20,000 shares were immature shares as defined by EITF 00-23, *Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44.* As required by EITF 00-23, the Company recorded stock compensation expense for immature shares in the amount of $17,900 in 2004.

The Company adopted the disclosure requirements of SFAS No. 148, *Accounting for Stock-Based Compensation* (See Note 2). The Company applies APB Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, compensation costs have been recognized for its stock plan based on the intrinsic value of the stock options at the date of grant. At December 31, 2004, all stock options granted have been issued at the fair value of the Company's common stock, and therefore, no compensation cost has been recognized.

5. Related Party Transactions

An individual from the law firm that serves as the Company's primary legal counsel also serves as a director of the Company. The Company paid $8,526 in 2004 for his services as a director. The Company paid $20,670 to that law firm for legal services for the year ended December 31, 2004. These amounts are included within general and administrative expenses. At December 31, 2004, the Company owed the law firm $6,728 for services rendered during 2004. These amounts are included within accounts payable and accrued expenses.

5. Related Party Transactions (continued)

An individual from a consulting firm used by the Company also serves as a director of the Company. The Company paid this individual $15,338 in 2004 for his services as a director. These amounts are included within general and administrative expenses. The Company paid $3,750 to that consulting firm for corporate development services for the year ended December 31, 2004. These amounts are included within cost of revenues and general and administrative expenses. At December 31, 2004 the Company owed the consulting firm $0 for services rendered during 2004.

The Company holds promissory notes due from its principal shareholders related to payments made by the Company on behalf of their personal insurance policies. The balance of these notes was $94,835 as of December 31, 2004. The notes are payable on November 30, 2006 and bear interest in the range of 1.50% to 2.37% per annum. As of December 31, 2004 no principal amounts had been paid. Interest of $551 was received in 2004 for interest due through August 2004. As the stated interest rate on the notes is below market rates, the Company calculated imputed interest and recorded a discount on the notes in the amount of $6,526. This is included in other long term assets on the balance sheet. As of December 31, 2004, the Company has recognized $1,895 in imputed interest income.

The Company is collaterally assigned the lesser of the cash surrender value or premiums paid by the Company, less amounts reimbursed by the principal shareholders, in a personal insurance policy for its principal shareholders. Payments are made by the Company and the economic value of such payments is reimbursed annually by the principal shareholders. The premiums paid, less amounts reimbursed by the principal shareholders, was $177,425 as of December 31, 2004. These amounts are included on the balance sheet as other assets.

6. Income Taxes

The Company incurred a pretax loss for the year presented herein and there are no income taxes provided in the accompanying statements of operations. At December 31, 2004, the Company had net operating loss carryforwards (NOLs) of approximately $2,697,271 that will expire through 2024. The realization of the benefits of the NOLs is dependent on sufficient taxable income in future years. Lack of further earnings, a change in the ownership, or the application of the alternative minimum tax rules could adversely affect the Company's ability to utilize the NOLs. The Company's net deferred tax assets consist of the following:

6. Income Taxes (continued)

	December 31, 2004
Deferred tax assets:	
Net operating loss carryforwards - domestic	**$ 829,657**
Net operating loss carryforwards - foreign	**153,498**
Accrued vacation	**24,674**
Accrued bonuses	**52,210**
Allowance for doubtful accounts	**77,208**
Deferred rent	**13,072**
Deferred revenue	**85,688**
Charitable contributions	**5,830**
Total deferred tax assets	**1,241,837**
Deferred tax liabilities:	
Prepaid expenses	**7,064**
Depreciation	**5,981**
Total deferred tax liabilities	**13,045**
Net deferred tax assets	**1,228,792**
Valuation allowance	**(1,228,792)**
Net deferred tax assets	**$ -**

A valuation allowance has been recorded to offset completely the carrying value of the net deferred tax asset due to the Company's lack of prior earnings. The portion of the valuation allowance for which subsequently recognized tax benefits will be allocated directly to capital is $72,525.

A reconciliation of the statutory federal and state income taxes and the effective income tax rate is as follows:

	December 31, 2004
Federal income tax benefit at statutory rate	**34.00%**
Permanent adjustments	**(3.12%)**
State income taxes net of federal benefit	**3.96%**
Net change in valuation allowance	**(34.84%)**
Effective tax rate	**0.00%**

7. Commitments and Contingencies

Leases

The Company leases office space and certain equipment under operating lease agreements. The Company currently has lease agreements for office space at two locations. Both lease agreements contain escalation clauses. As required under the terms of the lease agreement for the Company's primary office space, the Company paid a security deposit of $55,680. As part of the lease agreement for the Company's secondary office space, which was vacated in April 2003, the Company obtained a letter of credit from a bank of $31,260 as a security deposit on the leased space. The security deposit is required under the terms of the lease and the related letter of credit decreased to $10,420 on June 1, 2004. No amounts were outstanding under the letter of credit during 2004. Rent expense related to these operating leases was $514,338 for the year ended December 31, 2004.

In May 2004, the lessor of the Company's primary office space notified the Company of its decision to exercise a termination clause in the lease agreement. The termination clause requires the Company to vacate that space as of March 31, 2005 and requires the lessor to abate the last three months of rent. At the lessor's request, the company agreed to waive a clause requiring the lessor to occupy the space immediately following the lease termination date in exchange for one additional month of rent abatement. The rent abatement for the last four months totaled $118,784.

In July 2004, the Company agreed with the lessor of the secondary office space to terminate that lease as of January 31, 2005. The agreement calls for a termination fee of $100,000 to be paid to the lessor on or before January 31, 2005. The termination fee is included in rent expense for year ended December 31, 2004.

7. Commitments and Contingencies (continued)

Leases (continued)

Future minimum lease payments under capital and noncancelable operating leases are as follows as of December 31, 2004:

	Capital	Operating
2005	$ 4,850	$ 1,848
2006	–	1,848
2007	–	1,848
2008	–	154
Total future minimum payments	4,850	$ 5,698
Less amount representing interest	260	
Present value of minimum lease payments	4,590	
Less current portion of capital lease obligations	4,590	
Long-term portion	$ –	

Assets recorded under capital lease obligations aggregated $23,017 as of December 31, 2004. Accumulated depreciation of assets under capital lease obligations totaled $19,180 at December 31, 2004. Depreciation of assets under capital lease is included in depreciation expense.

8. Employee Benefit Plan

Eligible Company employees can elect to participate in a defined contribution 401(k) retirement plan. The retirement plan allows employees to make pretax contributions to the plan subject to a statutorily prescribed annual limit. Each participant is fully vested in his or her contributions and the related investment earnings. The Company may make contributions to the retirement plan, including matching contributions, at its discretion. During the year ended December 31, 2004, the Company recognized expense related to matching contributions of $59,274.

9. Restatement of 2004 Beginning Balances

Subsequent to the issuance of the Company's financial statements as of and for the year ended December 31, 2003, the Company became aware of a collateral assignment related to a personal insurance policy for its principal shareholders (as discussed in Note 5). Previously, the amounts paid totaling $160,602 were expensed rather than recording the lesser of the premiums paid, less amounts reimbursed by the principal shareholders, or the cash surrender value as an asset. Additionally, the Company determined that it had inappropriately accounted for stock compensation expense related to the repurchase of immature shares of stock. During 2003, the Company repurchased 52,500 shares of stock at $0.95 per share. Of these repurchases during 2003, 52,500 shares were immature shares as defined by EITF 00-23. As required by EITF 00-23, the Company should have recorded stock compensation expense and additional paid-in capital for immature shares repurchased in the amount of $48,775.

In addition, the accounting for treasury stock transactions has been adjusted to reflect increases to additional paid-in capital resulting from the correction of the error related to the repurchase of immature shares.

The effects of the restatement are as follows:

	December 31, 2003 (As Previously Reported)	**Adjustments**	**December 31, 2003 (As Restated)**
Additional paid-in capital	**$ -**	**$ 16,912**	**$ 16,912**
Accumulated deficit	**(2,433,100)**	**143,690**	**(2,289,410)**
Total stockholders' deficit	**(2,385,144)**	**160,602**	**(2,224,542)**

10. Subsequent Events

In January 2005, the Company entered into an agreement to sublease office space in Reston, Virginia, to serve as a new corporate headquarters. The lease commenced in February 2005, and it expires in December 2007. The lease contains escalation clauses, and is subject to the terms and provisions of lessor's original lease with the landlord.

INPUT – A NEVADA CORPORATION

COMPANY OFFICERS

JULY 2005

Peter A. Cunningham	Chairman of the Board, Director.
Occupation:	President INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941

Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

Kevin Plexico	Director (Elected 11/99)
Occupation:	Executive Vice President, (Elected 8/00) (VP: Elected 1/98), (Hired 12/07/92) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	44018 Cheltenham Circle Ashburn, VA 20147
Telephone:	(703) 858-0565
Birth Date:	May 8, 1970

Douglas Strahan	Senior Vice President (Elected 10/11/01)
Occupation:	Chief Financial Officer (Hired 06/12/01) Treasurer (Elected 5/13/03) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	1000 White Chimney Court Great Falls, VA 22066
Telephone:	(703) 757-1313
Birth Date:	10/15/62

Steven Toole	Vice President (Elected 06/15/04)
Occupation:	Vice President, Marketing (Hired 05/10/04) INPUT 11951 Freedom Drive, Suite 1000 Reston, VA 20190-5658 (703) 707-3500
Address:	10871 Hunter Gate Way Reston, VA 20194
Telephone:	(703) 000-0000
Birth Date:	00/00/00

Alan Balutis	President & CEO, Government Strategies (Elected 01/18/05)
Occupation:	President & CEO, Government Strategies (Hired 2/1/05) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	
Telephone:	
Birth Date:	00/00/00

David Heinemann	Senior Vice President, Corporate Development (Elected 00/00/05)
Occupation:	Senior Vice President, Corporate Development (Hired 2/15/05) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	

INPUT - ANNUAL STOCKHOLDER'S MEETING

8/5/2005

2005 Stockholders List

	NAME	COMPANY/Address	Date of Distrib.
1	Peter Cunningham	INPUT	
2	Patricia Cunningham	INPUT	
3	Paul Cunningham	Individual	
4	Rachel Cunningham	Individual	
5	William H. Bryant	Bryant Clohan & Baruh	
6	David Heinemann	INPUT	
7	Thomas Hewitt	INPUT Board	
8	Myra Sue Grothoff	INPUT	
9	Michael P. Boland	INPUT	
10	Scott P. Massey	INPUT	
11	William H. Young	INPUT	
12	Kevin M. Plexico	INPUT	
13	Donald A. Peacock	INPUT	
14	Andrew Y. Sung	INPUT	
15	Christopher R. Gildea	INPUT	
16	Deepak Bhat	INPUT	
17	Payton Smith	INPUT	
18	Kirsten M. Murphy	INPUT	
19	Marcus Fedeli	INPUT	
20	Suzanne Haleen	INPUT	
21	Barbara Austin	INPUT	
22	Douglas Strahan	INPUT	
23	Todd Rice	INPUT	

-INPUT – A NEVADA CORPORATION

BOARD OF DIRECTORS

JULY 2005

Peter A. Cunningham	Chairman of the Board, Director
Occupation:	President INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941

Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

Kevin Plexico	Director (Elected 11/18/99)
Occupation:	Executive Vice President, INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	44018 Cheltenham Circle Ashburn, VA 20147
Telephone:	(703) 858-0565
Birth Date:	May 8, 1970

David Heinemann	Director, INPUT (Elected 4/13/00)
Occupation:	Senior Vice President, Corporate Development (Hired 2/15/05) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	
Telephone:	
Birth Date:	

William H. Bryant	Director, INPUT (Elected 3/20/81)
Occupation:	Attorney Bryant, Clohan, & Baruh, LLP 550 Hamilton Avenue, Suite 220 Palo Alto, Ca. 94301
Telephone	(650)-324-1606

Thomas L. Hewitt	Director, INPUT (Re-Elected 9/1/03) (Prior Election 12/18/01-08/16/02)
Occupation:	
Telephone	(703) 883-1991
Address:	3551 Bayou Circle Longboat Key, FL 34228
Telephone:	(703) 883-1991 (Cell) (941) 383-0066 SS: 238-60-7006

Telephone:	
Birth Date:	00/00/00

INPUT

Consolidated Financial Statements as of and for the Years Ended December 31, 2005 and 2004, and Independent Auditors' Report

INPUT

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Deloitte.

Deloitte & Touche LLP
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McLean, VA 22102-4219
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www.deloitte.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
INPUT
Reston, Virginia

We have audited the accompanying consolidated balance sheets of INPUT (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

July 10, 2006

INPUT

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2005 AND 2004

	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,692,938	$ 3,145,864
Accounts receivable, net of allowance for doubtful accounts of $225,750 and $203,393, respectively	4,249,414	4,601,965
Prepaid expenses and other current assets	1,696,334	122,635
Total current assets	9,638,686	7,870,464
PROPERTY AND EQUIPMENT—Net	932,310	1,002,945
OTHER ASSETS	285,201	239,055
DUE FROM RELATED PARTY	142,253	94,835
TOTAL	$ 10,998,450	$ 9,207,299
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 463,154	$ 313,549
Accrued expenses	1,563,713	1,307,192
Capital lease obligation—current portion	13,055	4,590
Deferred revenue—current portion	10,559,854	10,951,654
Total current liabilities	12,599,776	12,576,985
DEFERRED REVENUE—Noncurrent portion	408,198	225,732
CAPITAL LEASE OBLIGATION—Noncurrent portion	16,527	-
OTHER LONG-TERM LIABILITIES	127,864	-
Total liabilities	13,152,365	12,802,717
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDERS' DEFICIT:		
Common stock, $0.01 par value—authorized, 20,000,000 shares; issued, 8,866,010 and 8,858,510 shares and outstanding, 8,850,635 and 8,856,010 at December 31, 2005 and 2004, respectively	60,935	60,860
Additional paid-in capital	12,848	1,646
Treasury stock, 15,375 and 2,500 shares, respectively—at cost	(14,606)	(2,375)
Accumulated deficit	(2,202,211)	(3,644,220)
Accumulated other comprehensive loss	(10,881)	(11,329)
Total stockholders' deficit	(2,153,915)	(3,595,418)
TOTAL	$ 10,998,450	$ 9,207,299

See notes to financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
REVENUES	$20,942,453	$16,774,509
OPERATING EXPENSES:		
Cost of revenues	7,114,153	5,481,603
Sales and marketing	8,242,027	8,019,574
Research and development	2,264,612	1,959,426
General and administrative	2,382,759	2,315,207
Depreciation and amortization	602,515	440,298
Total operating expenses	20,606,066	18,216,108
INCOME (LOSS) FROM OPERATIONS	336,387	(1,441,599)
OTHER INCOME	108,482	93,315
NET INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	444,869	(1,348,284)
CUMULATIVE EFFECT ON PRIOR YEARS (TO DECEMBER 31, 2004) OF CHANGING TO A DIFFERENT METHOD OF COMMISSION EXPENSE ACCOUNTING (Note 9)	1,003,417	-
NET INCOME (LOSS)	$ 1,448,286	$ (1,348,284)
PRO FORMA AMOUNTS ASSUMING THE CHANGE IN METHOD OF COMMISSION EXPENSE ACCOUNTING IS APPLIED RETROACTIVELY—Net income (loss)	$ 444,869	$ (1,060,980)

See notes to financial statements.

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount		Shares	Amount			
BALANCE—December 31, 2003	8,743,135	$ 59,831	$ 16,912	12,500	$ (11,875)	$ -	$ (2,289,410)	$ (2,224,542)
Repurchase of common stock	(27,500)	-	-	27,500	(26,125)	-	-	(26,125)
Stock-based compensation expense	-	-	17,900	-	-	-	-	17,900
Issuance of common stock upon exercise of options	140,375	1,029	(33,166)	(37,500)	35,625	-	-	3,488
Discount on related-party notes	-	-	-	-	-	-	(6,526)	(6,526)
Components of comprehensive loss:								
Currency translation adjustments	-	-	-	-	-	(11,329)	-	(11,329)
Net loss	-	-	-	-	-	-	(1,348,284)	(1,348,284)
Comprehensive loss	-	-	-	-	-	(11,329)	(1,348,284)	(1,359,613)
BALANCE—December 31, 2004	8,856,010	60,860	1,646	2,500	(2,375)	(11,329)	(3,644,220)	(3,595,418)

(Continued)

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (Continued)

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount		Shares	Amount			
Repurchase of common stock	(29,625)	-	-	29,625	(28,144)	-	-	(28,144)
Stock-based compensation expense	-	-	17,850	-	-	-	-	17,850
Issuance of common stock upon exercise of options	24,250	75	(6,648)	(16,750)	15,913	-	(6,277)	3,063
Components of comprehensive income:								
Currency translation adjustments	-	-	-	-	-	448	-	448
Net income	-	-	-	-	-	-	1,448,286	1,448,286
Comprehensive income	-	-	-	-	-	448	1,448,286	1,448,734
BALANCE—December 31, 2005	8,850,635	$ 60,935	$ 12,848	15,375	$ (14,606)	$ (10,881)	$ (2,202,211)	$ (2,153,915)

See notes to financial statements.

(Concluded)

INPUT

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 1,448,286	$ (1,348,284)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	602,515	440,298
Provision for doubtful accounts	22,458	56,793
Loss on disposal of fixed assets	20,003	15,535
Stock-based compensation expense	17,850	17,900
Amortization of discount on related-party notes receivable	(2,862)	(1,895)
Cumulative effect on prior years (to December 31, 2004) of changing to a different method of commission expense accounting (Note 9)	(1,003,417)	-
Changes in operating assets and liabilities:		
Accounts receivable	326,452	(933,240)
Prepaid expenses and other current assets	(572,634)	9,736
Other assets	(43,258)	(2,883)
Accounts payable and accrued expenses	357,092	(129,093)
Deferred revenue	(205,548)	2,665,329
Other long-term liabilities	127,864	(20,452)
Net cash provided by operating activities	1,094,801	769,744
CASH FLOWS FROM INVESTING ACTIVITIES:		
Due from related party	(47,418)	(47,420)
Purchase of property and equipment	(462,689)	(711,691)
Proceeds from sale of property and equipment	1,077	1,100
Net cash used in investing activities	(509,030)	(758,011)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of common stock	(28,144)	(26,125)
Proceeds from exercise of stock options	3,063	3,488
Principal payments on capital lease obligations	(11,057)	(5,123)
Net cash used in financing activities	(36,138)	(27,760)
EFFECT OF EXCHANGE RATES ON CASH	(2,559)	165
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	547,074	(15,862)
CASH AND CASH EQUIVALENTS—Beginning of year	3,145,864	3,161,726
CASH AND CASH EQUIVALENTS—End of year	$ 3,692,938	$ 3,145,864

(Continued)

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CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—		
Cash paid during the year for interest	$ 2,282	$ 700
NONCASH DISCLOSURE:		
Imputed interest on related-party notes receivable	$ 1,670	$ 6,526
Equipment obtained under capital lease	$ 39,735	$ -
Accrued fixed asset additions	$ 54,222	$ -

See notes to financial statements.

(Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. ORGANIZATION

INPUT ("INPUT" or the "Company") helps companies develop federal, state, and local government business and helps public sector organizations achieve their objectives. The Company has four primary lines of business to meet the needs of its customers: information services, consulting services, software solutions, and events.

The Company was initially incorporated in December 1976 under the laws of the state of California. The common stock of the California corporation was no par stock. In August 2000, the Company created an entity incorporated in the state of Nevada. In January 2001, the California corporation merged into the Nevada corporation, with the Nevada corporation being the surviving entity. The common stock of the Nevada corporation has a par value of $0.01. The accompanying consolidated financial statements include the accounts of INPUT, a Nevada corporation; INPUT, Inc., a Virginia corporation and wholly owned subsidiary; INPUT Limited, a wholly owned subsidiary operating in the United Kingdom; INPUT SARL, a dormant wholly owned French subsidiary; and INPUT, GmbH, a dormant wholly owned German subsidiary.

The Company's operations are subject to certain risks and uncertainties that could affect future operations and financial performance. Other risks to which the Company is exposed include uncertainties relating to product development; rapidly changing technology; current and potential competitors with greater financial, technological, production, and marketing resources; and dependence on key management personnel.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Reclassifications—Certain amounts in the prior-year financial statements have been reclassified to conform to current-year presentation.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition—The Company's revenues consist of subscription revenues, services revenues, and software revenues. The Company recognizes revenue in accordance with Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*, as amended by SAB No. 104, *Revenue Recognition*, Emerging Issues Task Force ("EITF") Issue No. 00-3, *Application of AICPA Statement of*

Position 97-2 to Arrangements that Include the Right to Use Software Stored on Another Entity's Hardware, and EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*.

Subscription-based revenues are revenues derived from arrangements in which the Company's clients subscribe to hosted software products and services. Revenues are recognized ratably over the contract term, typically one year. Multiple subscription products are sold on single contracts and revenues are recognized at relative fair market value for each component.

Services revenues are derived from the delivery of market studies and surveys, market assessments and forecasts, and due diligence and competitive benchmark studies. Revenues are recognized relative to the Company's proportionate performance based on the ratio that total costs incurred to date bear to the total estimated costs of the contract, or other appropriate input or output measure, or the completed contract method, depending on the terms of the contract.

Software revenues are derived from arrangements in which the Company's clients license proprietary software developed and hosted by the Company. Software licenses are sold with implementation, configuration, maintenance, and support services. The Company has not sold these services on a stand-alone basis and, therefore, has not determined the fair value of those services. Accordingly, software license revenue is recognized ratably over the term of the arrangement after implementation and configuration services are completed.

Events revenues are derived from breakfast events, conferences, and seminars. Revenues are recognized when the event is completed.

Barter transactions represent the exchange of the Company's subscription and other services for merchandise or services. The Company records such transactions in accordance with Accounting Principles Board ("APB") Opinion No. 29, *Accounting for Nonmonetary Transactions*. At inception, the Company records an asset and a liability equal to the fair value of the services exchanged. Revenue is recorded at the fair value of the services relinquished. Expense is recorded at the fair value of the merchandise or services received. Revenue is recognized on barter transactions over the term of the arrangement for subscriptions. Expenses are recorded when the merchandise or service received is utilized. Barter revenue for the years ended December 31, 2005 and 2004, was $424,383 and $326,300, respectively, and is included in revenue. Barter expense for the years ended December 31, 2005 and 2004, was $332,616 and $326,300 respectively, and is included in sales and marketing expense.

Advance payments are recorded as deferred revenue until services are delivered or obligations are met. Deferred revenue represents the difference between the amounts invoiced and the amounts recognized as revenues.

Commission Expense—Commission expense relating to subscription orders is recognized ratably over the subscription term. Commission expense relating to nonsubscription orders is expensed in the period that the order is sold (see Note 9).

Cash and Cash Equivalents—The Company considers all highly liquid investments purchased with a maturity or redemption feature of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured amounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash—Included in other assets at December 31, 2005 and 2004, is restricted cash of $0 and $10,420, respectively, associated with a letter of credit securing payments under the Company's office lease (see Note 7).

Impairment of Long-Lived Assets—On January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, but retains its fundamental provision for recognizing and measuring impairment of long-lived assets to be held and used. This statement requires that all long-lived assets to be disposed of by sale be carried at the lower of carrying amount or fair value less cost to sell, and that depreciation cease to be recorded on such assets. SFAS No. 144 standardizes the accounting and presentation requirements for all long-lived assets to be disposed of by sale, and supersedes previous guidance for discontinued operations of business segments. In accordance with SFAS No. 144, the Company reviews its recorded long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Based on the Company's analysis, there were no impairment issues for the years ended December 31, 2005 and 2004.

Property and Equipment—Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computer and office equipment	3–5 years
Office furniture	5 years
Computer software	3 years
Leasehold improvements	Lesser of related lease term or useful life

Equipment held under capital lease obligations is classified as property and equipment and amortized using the straight-line method over the lesser of the useful life or the term of the lease. Amortization of equipment under capital lease obligations is included with depreciation expense for similar types of equipment.

Repairs and maintenance are charged to expense as incurred. When assets are retired or otherwise disposed of, the asset and related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income.

Stock-Based Compensation—SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock Based Compensation—Transition and Disclosure, an amendment of SFAS No. 123*, allows companies to account for stock-based compensation using either the provisions of SFAS No. 123 or the provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, but requires proforma disclosure in the notes to the financial statements as if the measurement provisions of SFAS No. 123 had been adopted. The Company accounts for its stock-based employee compensation in accordance with APB Opinion No. 25. Generally, no expense is recognized related to the Company's stock options because the option's exercise price is set at the underlying stock's fair market value on the date the option is granted.

The following table illustrates the effect on the net income (loss) if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation:

	Year ended December 31, 2005	2004
Net income (loss)—as reported	$1,448,286	$(1,348,284)
Add stock compensation expense related to repurchase of immature shares	17,850	17,900
Deduct total employee noncash stock compensation expense determined under fair value-based method for all awards	(36,934)	(12,651)
Pro forma net income (loss)	$1,429,202	$(1,343,035)

The effect of applying SFAS No. 123 on a pro forma net income (loss) as stated above is not necessarily representative of the effects on reported net income (loss) for future years due to, among other things, the vesting period of the stock options and the fair value of additional options to be granted in the future years.

The weighted-average fair value of options granted during 2005 and 2004 was $0.95. The fair value of each option is estimated on the date of grant using the minimum value option-pricing model with the following assumptions used for grants issued during the years ended December 31, 2005 and 2004:

	2005	2004
Dividend yield	0.00 %	0.00 %
Average risk-free interest rate	4.35 %	3.63 %
Expected term	5 years	5 years

Concentrations of Credit Risk—Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company generally maintains its cash balances in accounts with nationally recognized institutions. Customers are granted credit on an unsecured basis. Management monitors the creditworthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

Income Taxes—Deferred taxes are provided utilizing the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amount of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Advertising Costs—The Company expenses advertising costs as incurred. For the years ended December 31, 2005 and 2004, total advertising costs including barter transactions were $639,182 and $552,065 respectively. Advertising costs related to barter transactions were $321,816 and $326,300 respectively, for the years ended December 31, 2005 and 2004.

Other Comprehensive Loss—All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as foreign currency translation adjustments, a component of accumulated other comprehensive income (loss), net within the stockholders' deficit section of the consolidated balance sheet. As of December 31, 2005 and 2004, accumulated other comprehensive loss included income of $448 and a loss of $11,329, respectively, from foreign currency translation adjustments.

Recent Accounting Pronouncements—In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (revised 2004), *Share-Based Payment*, or SFAS No. 123R, which requires all share-based payments to employees, including grants of employee stock options and purchases under employee stock purchase plans, to be recognized as expenses in the statement of operations based on their fair values and vesting periods. The Company plans to adopt the provisions of SFAS No. 123R as of January 1, 2006. The Company expects to recognize an additional $15,000 to $30,000 in compensation expense in 2006 as a result of adopting SFAS No. 123R.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets*, an amendment of APB Opinion No. 29. The guidance in APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in APB Opinion No. 29, however, included certain exceptions to that principle. SFAS No. 153 amends APB Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. The Company is in the process of evaluating the impact, if any, that this statement will have on the Company's financial statements.

In June 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20 and FASB No. 3. The statement applies to all voluntary changes in accounting principles, and changes for accounting and reporting of a change in accounting principle. SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impractical to do so. SFAS No. 154 will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not expect the adoption of SFAS No. 154 to have a material impact on the financial position or results of operations except to the extent that the statement requires retroactive application in circumstances that would previously have been effected in the period of change under APB Opinion No. 20.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31, 2005	December 31, 2004
Computer and office equipment	$ 1,429,858	$ 1,365,800
Office furniture	135,423	92,083
Computer software	577,450	566,988
Leasehold improvements	6,963	11,944
	2,149,694	2,036,815
Less accumulated depreciation	(1,217,384)	(1,033,870)
Total	$ 932,310	$ 1,002,945

4. STOCKHOLDERS' DEFICIT

Common Stock—In July, August and October 2004, the Company repurchased a total of 10,000, 15,000 and 2,500, respectively, outstanding shares of common stock primarily from stockholders no longer involved with the Company for $0.95 per share. The Board of Directors approved the stock repurchases at the July 2004, August 2004 and the October 2004 meetings, respectively. The Company repurchased the shares with the intention to hold the shares in treasury for future distribution. The shares are included in treasury stock.

In February, April, May, June and August 2005, the Company repurchased a total of 6,750, 5,000, 2,500, 15,000 and 375, respectively, outstanding shares of common stock primarily from stockholders no longer involved with the Company for $0.95 per share. The Board of Directors approved the stock repurchases at the February 2005, April 2005, May 2005, June 2005 and August 2005 meetings, respectively. The Company repurchased the shares with the intention to hold the shares in treasury for future distribution. The shares are included in treasury stock.

Stock Option Plan—On October 27, 1993, the Company adopted the 1993 Stock Incentive Plan (the "Plan") to issue 2,600,000 authorized shares of common stock to attract, retain, and reward key individuals who have contributed to the growth of the Company. These individuals include all employees and directors. The Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals are awarded options pursuant to the Plan, and the terms and option exercise prices of the stock options. The Plan terminated in October 2003.

On January 15, 2004, the Company adopted the 2004 Stock Option Plan (the "2004 Plan") to issue 1,400,000 authorized shares of common stock to retain and reward key individuals who contribute to the success of the Company. These individuals include employees, consultants, or directors. The 2004 Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals receive awards under the 2004 Plan, and the terms and option exercise prices of stock options. The 2004 Plan terminates in January 2014. At December 31, 2005 and 2004, respectively, options to purchase 986,375 and 650,500 shares were outstanding and 614,000 and 1,018,000 shares were available for future grants.

Each qualified and nonqualified incentive stock option granted pursuant to the Plan and the 2004 Plan has an exercise price equal to the fair market value of the common stock at the date of the grant and a term ranging from five to ten years. The majority of options granted during 2005 and 2004 vest over three to four years.

The following table summarizes the activity of the Company's Plan:

	Number of Options	Range of Exercise Prices	Weighted-Average Exercise Price
Balance—December 31, 2003	445,875	\$0.01–\$0.95	\$ 0.55
Granted	428,500	0.95	0.95
Exercised	(140,375)	0.01–0.95	0.02
Terminated	(83,500)	0.10–0.95	0.85
Balance—December 31, 2004	650,500	\$0.10–\$0.95	\$ 0.89
Granted	681,500	0.95	0.95
Exercised	(24,250)	0.10–0.95	0.13
Terminated	(321,375)	0.95	0.95
Balance—December 31, 2005	986,375	\$0.10–\$0.95	\$ 0.93

Options to purchase 300,406 and 214,438 shares of the Company's common stock were exercisable at December 31, 2005 and 2004, respectively, at a weighted-average per share exercise price of \$0.89 and \$0.77 per share. The weighted-average remaining contractual life of options outstanding at December 31, 2005 and 2004, was 3.90 and 4.18 years, respectively.

The 1993 Stock Incentive Plan contains a provision to repurchase stock from former employees within 90 days of termination and the 2004 Stock Option Plan contains a provision to repurchase stock from former employees within six months of termination. During 2005 and 2004, respectively, the Company repurchased 29,625 and 27,500 shares of stock at \$0.95 per share. Of these repurchases during 2005 and 2004, 21,750 and 20,000 shares, respectively, were immature shares as defined by EITF 00-23, *Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44*. As required by EITF 00-23, the Company recorded stock compensation expense for immature shares in the amount of \$17,850 and \$17,900 in 2005 and 2004, respectively.

The Company adopted the disclosure requirements of SFAS No. 148, *Accounting for Stock-Based Compensation*. The Company applies APB Opinion No. 25 and related interpretations in accounting for its Plan. Accordingly, compensation costs have been recognized for its stock plan based on the intrinsic value of the stock options at the date of grant. At December 31, 2005 and 2004, all stock options granted have been issued at the fair value of the Company's common stock, and therefore, no compensation cost has been recognized.

5. RELATED-PARTY TRANSACTIONS

An individual from the law firm that served as the Company's primary legal counsel also serves as a director of the Company. The Company paid \$7,818 and \$8,526 in 2005 and 2004, respectively, for his services as a director. The Company paid \$12,513 and \$20,670 to that law firm for legal services for the years ended December 31, 2005 and 2004, respectively. These amounts are included within general and administrative expenses. At December 31, 2005 and 2004, the Company owed the law firm \$0 and

$6,728, respectively, for services rendered during 2005 and 2004. These amounts are included within accounts payable and accrued expenses.

An individual from a consulting firm used by the Company also served as a director of the Company through July 2005. The Company paid this individual $8,321 in 2005 and $15,338 in 2004 for his services as a director. These amounts are included within general and administrative expenses. The Company paid $0 and $3,750 to that consulting firm for client-related consulting services and corporate development services for the years ended December 31, 2005, and 2004, respectively. These amounts are included within cost of revenues and general and administrative expenses. At December 31, 2005 and 2004, the Company owed the consulting firm $0. The individual became an employee of the Company in 2005.

The Company holds promissory notes due from its principal shareholder related to payments made by the Company on behalf of the shareholder's personal insurance policies. The balance of these notes was $142,253 and $94,835 as of December 31, 2005 and 2004, respectively. The notes are payable on November 30, 2006, and bear interest in the range of 1.50% to 3.58% per annum. As of December 31, 2005 and 2004, no principal amounts had been paid. Interest of $1,887 and $551 was received in 2005 and 2004, respectively, for interest due through August 2005 and 2004. As the stated interest rate on the notes is below market rates, the Company calculated imputed interest and recorded a discount on the notes in the amount of $1,670 and $6,526 in 2005 and 2004, respectively. This is included in other long-term assets on the balance sheet. In 2005 and 2004, the Company has recognized $2,862 and $1,895, respectively, in imputed interest income.

The Company is collaterally assigned the lesser of the cash surrender value or premiums paid by the Company, less amounts reimbursed by the principal shareholders, in a personal insurance policy for its principal shareholders. Payments are made by the Company and the economic value of such payments is reimbursed annually by the principal shareholders. The premiums paid, less amounts reimbursed by the principal shareholders, were $197,591 and $177,425 as of December 31, 2005 and 2004, respectively. These amounts are included on the balance sheet as other assets.

An individual consultant used by the Company is also a member of the principal shareholder's immediate family as well as a shareholder. The Company paid this individual $14,638 in 2005 for consulting services. This amount is included in general and administrative expenses. At December 31, 2005, the Company owed this individual $32,731 for services rendered during 2005. This amount is included within accounts payable and accrued expenses.

6. INCOME TAXES

The components of the provision for income taxes are as follows:

	Year Ended December 31, 2005	2004
Current:		
Federal	$ 24,391	$ -
State	-	-
Total current	$ 24,391	$ -
Deferred:		
Federal	$ (24,391)	$ -
State	-	-
Total deferred	(24,391)	-
Total	$ -	$ -

At December 31, 2005, the Company had net operating loss carryforwards ("NOLs") of $1,694,846 that will expire through 2025. The realization of the benefits of the NOLs is dependent on sufficient taxable income in future years. Lack of further earnings, a change in the ownership, or the application of the alternative minimum tax rules could adversely affect the Company's ability to utilize the NOLs. The Company's net deferred tax assets consist of the following:

	December 31,	
	2005	2004
Deferred tax assets:		
Net operating loss carryforwards—domestic	$ 445,551	$ 829,657
Net operating loss carryforwards—foreign	99,010	153,498
Tax credits	24,391	-
Accrued vacation	46,872	24,674
Accrued bonuses and commissions	67,262	52,210
Allowance for doubtful accounts	85,035	77,208
Other accrued expenses	17,929	-
Deferred rent	77,353	13,072
Deferred revenue	154,952	85,688
Charitable contributions	8,010	5,830
Depreciation and amortization	28,486	-
Total deferred tax assets	1,054,851	1,241,837
Deferred tax liabilities:		
Prepaid expenses	9,995	7,064
Deferred commission expense	359,381	-
Depreciation and amortization	-	5,981
State taxes	698	-
Total deferred tax liabilities	370,074	13,045
Net deferred tax assets	684,777	1,228,792
Valuation allowance	(660,386)	(1,228,792)
Net deferred tax assets	$ 24,391	$ -

Deferred tax assets relating to charitable contributions will begin to expire in 2007. A valuation allowance has been recorded to offset completely (with the exception of the tax credits) the carrying value of the net deferred tax asset due to the Company's lack of prior earnings. The portion of the valuation allowance for which subsequently recognized tax benefits will be allocated directly to capital is $54,625.

A reconciliation of the statutory federal and state income taxes and the effective income tax rate is as follows:

	December 31, 2005	December 31, 2004
Federal income tax liability (benefit) at statutory rate	34.00 %	(34.00)%
Permanent adjustments	1.04	3.12
State income tax liability (benefit) net of federal liability (benefit)	3.96	(3.96)
Net change in valuation allowance	(39.00)	34.84
Effective tax rate	0.00 %	0.00 %

7. COMMITMENTS AND CONTINGENCIES

Leases—The Company leases office space and certain equipment under operating lease agreements. As of December 31, 2004, the Company had lease agreements for office space at two locations (the "primary office space" and the "secondary office space"). Both lease agreements contained escalation clauses. In May 2004, the lessor of the Company's primary office space notified the Company of its decision to exercise a termination clause in the lease agreement. The termination clause required the Company to vacate that space as of March 31, 2005, and required the lessor to abate the last three months of rent. At the lessor's request, the company agreed to waive a clause requiring the lessor to occupy the space immediately following the lease termination date in exchange for one additional month of rent abatement. The rent abatement for the last four months totaled \$118,784.

As part of the lease agreement for the Company's secondary office space, which was vacated in April 2003, the Company obtained a letter of credit from a bank of \$31,260 as a security deposit on the leased space. The security deposit was required under the terms of the lease and the related letter of credit decreased to \$10,420 (restricted cash) on June 1, 2004. In July 2004, the Company agreed with the lessor of the secondary office space to terminate that lease as of January 31, 2005. The agreement called for a termination fee of \$100,000 to be paid to the lessor on or before January 31, 2005. The termination fee is included in rent expense for the year ended December 31, 2004. The letter of credit and the related cash restriction expired upon termination of the lease.

In January 2005, the Company entered into an agreement to sublease office space in Reston, Virginia, to serve as a new corporate headquarters. The lease commenced in February 2005, and it expires in December 2007. The lease contains escalation clauses, and is subject to the terms and provisions of the lessor's original lease with the landlord.

Rent expense related to these operating leases was \$731,589 and \$514,338 for the years ended December 31, 2005 and 2004, respectively.

Future minimum lease payments under capital and noncancelable operating leases are as follows as of December 31, 2005:

	Capital	Operating
2006	$ 14,843	$ 838,611
2007	14,843	860,382
2008	2,474	154
Total future minimum payments	32,160	$1,699,147
Less amount representing interest	2,578	
Present value of minimum lease payments	29,582	
Less current portion of capital lease obligations	13,055	
Long-term portion	$ 16,527	

Assets recorded under capital lease obligations aggregated $39,735 and $23,017 as of December 31, 2005 and 2004, respectively. Accumulated depreciation of assets under capital lease obligations totaled $11,037 and $19,180 at December 31, 2005 and 2004, respectively. Depreciation of assets under capital lease is included in depreciation expense.

8. EMPLOYEE BENEFIT PLAN

Eligible Company employees can elect to participate in a defined contribution 401(k) retirement plan. The retirement plan allows employees to make pretax contributions to the plan subject to a statutorily prescribed annual limit. Each participant is fully vested in his or her contributions and the related investment earnings. The Company may make contributions to the retirement plan, including matching contributions, at its discretion. During the years ended December 31, 2005 and 2004, the Company recognized expense related to matching contributions of $193,419 and $59,274, respectively.

9. CHANGE IN METHOD OF ACCOUNTING FOR COMMISSION EXPENSE

During 2005, the Company changed its method for accounting for commission expense incurred related to subscription sales. Prior to 2005, the entire commission cost for a particular sale was included in net income in the month that the sale occurred. Because the Company records revenue on subscription sales ratably over the contract term, as described in Note 2, the previous method of accounting created a mismatching between revenue recognized on subscription sales and the related direct and incremental costs of earning that revenue.

Under the new method of accounting for commission expense, the expense is recognized ratably over the term of the associated subscription orders. The Company believes that the new method more accurately reflects the periodic results of operations, in that the associated incremental costs are now matched to revenues. The new method also eliminates seasonal distortions in reported net income that arose due to the fact that a ratable and predictable revenue stream was being compared against commission expenses that moved in conjunction with seasonal and irregular sales order patterns. The new method will further benefit management and shareholders by making it easier to analyze and forecast net income.

The adjustment of $1,003,417 to apply retroactively the new method is included in income in 2005. The pro forma amounts shown on the income statement for the years ended 2005 and 2004 reflect the effect that new method would have had on net income (loss) for those years, had the new method been previously employed.

10. LITIGATION

The Company is the defendant in a lawsuit filed by one of its vendors for alleged breach of contract. The total amount of the claim is $19,000, plus legal and related costs. The Company has filed counterclaims to the suit, and anticipates that any ultimate loss that may occur will not equal the total amount claimed by the vendor. A provision for loss totaling $14,500 has been charged to operations in the accompanying financial statements for 2005.

11. SUBSEQUENT EVENTS

On May 11, 2006, the disinterested members of the Board of Directors unanimously approved the use of the Company cash deposits as collateral to secure a personal bank loan to the Company's principal shareholders. In accordance with this agreement, the Company shall pledge cash deposits up to $3,500,000 as security for the borrowing obligations of the principal shareholders to the bank. As a condition for this pledge by the Company, the principal shareholders in exchange pledged to the Company 1,800,000 shares of their stock in the Company, as security for their obligation to fully reimburse the Company in the event there is a call on the Company's pledge to the bank. On May 31, 2006, the Company made an initial cash deposit of $1,000,000 with the bank relating to this arrangement.

In June 2006, the Company became the target of a lawsuit by one of its competitors, alleging defamation and wrongful or tortious interference with a prospective business relationship. The parties reached a confidential settlement on June 30, 2006.

* * * * * *

-INPUT – A NEVADA CORPORATION

BOARD OF DIRECTORS

JULY 2006

Peter A. Cunningham	Chairman of the Board, Director
Occupation:	President
	INPUT
	10790 Parkridge Blvd., Suite 200
	Reston, VA 20191
	(703) 707-3500
Address:	P.O. Box 30998 SMB
	725 Britannia Drive
	Grand Cayman
	Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941

Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary
	INPUT
	10790 Parkridge Blvd., Suite 200
	Reston, VA 20191
	(703) 707-3500
Address:	P.O. Box 30998 SMB
	725 Britannia Drive
	Grand Cayman
	Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

William H. Bryant	Director, INPUT (Elected 3/20/81)
Occupation:	Attorney
	Bryant, Clohan, & Baruh, LLP
	550 Hamilton Avenue, Suite 220
	Palo Alto, Ca. 94301
Telephone	(650)-324-1606

Jed Laird	Director, INPUT (Elected 7/13/05)
Occupation:	Chairman and CEO LAIRD SQUARED 304 Park Avenue South New York, NY 10010 (212) 590-2335
Address:	
Telephone:	
Birth Date:	

Thomas L. Hewitt	Director, INPUT (Re-Elected 9/1/03) (Prior Election 12/18/01-08/16/02)
Occupation:	
Telephone	(703) 883-1991
Address:	3551 Bayou Circle Longboat Key, FL 34228
Telephone:	(703) 883-1991 (Cell) (941) 383-0066 SS: 238-60-7006

INPUT – A NEVADA CORPORATION

COMPANY OFFICERS

JULY 2006

Peter A. Cunningham	Chairman of the Board, Director.
Occupation:	President INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941

Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

Kevin Plexico	
Occupation:	Executive Vice President, Operations (Elected 7/06) (Exec. VP: Elected 8/00), (VP: Elected 1/98), (Director: Elected 11/99 – Resigned 7/05), (Hired
12/07/92)	INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	44018 Cheltenham Circle Ashburn, VA 20147
Telephone:	(703) 858-0565
Birth Date:	May 8, 1970

Douglas Strahan	
Occupation:	Executive Vice President, Finance & Chief Financial Officer (Elected 07/06) Treasurer (Elected 5/13/03), (Sr. VP & CEO: Elected 10/11/01), (Hired 06/12/01) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	1000 White Chimney Court Great Falls, VA 22066
Telephone:	(703) 757-1313
Birth Date:	10/15/62

Wayne Adams	
Occupation:	Executive Vice President, Sales & Members Services (Elected 7/06) (Sr. VP: Elected 10/13/05) (Hired 10/03/05) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	
Telephone:	
Birth Date:	00/00/00

Alan Balutis	
Occupation:	Senior Vice President (Elected 7/06) (President & CEO, Government Strategies: Elected 01/18/05) (Hired 2/1/05) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	
Telephone:	
Birth Date:	00/00/00

David Heinemann	
Occupation:	Senior Vice President, Business Development (Elected 00/00/05), (Director: Elected 4/00 – Resigned 7/05), (Hired 2/15/05) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	
Telephone:	
Birth Date:	00/00/00

Bruce Brody	
Occupation:	Vice President, Information Security Practice (Elected 04/20/06), (Hired 01/09/06) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	
Telephone:	
Birth Date:	00/00/00

Paul Schmitz	
Occupation:	Vice President, INPUT Executive Program (Elected 04/20/06), (Hired 02/06/06) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	
Telephone:	
Birth Date:	00/00/00

William Bain	
Occupation:	Senior Vice President, Consulting (Elected 04/20/06), (Hired 03/13/06) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	
Telephone:	
Birth Date:	00/00/00

INPUT - ANNUAL STOCKHOLDER'S MEETING
2006 Stockholders List

	NAME	COMPANY/Address	Financial Report - Date of Distrib.
1	Peter Cunningham	INPUT	
2	Patricia Cunningham	INPUT	
3	Paul Cunningham	Individual	
4	Rachel Cunningham	Individual	
5	William H. Bryant	INPUT Board	
6	David Heinemann	INPUT	
7	Thomas Hewitt	INPUT Board	
8	Myra Sue Grothoff	INPUT	
9	Michael P. Boland	INPUT	
10	Scott P. Massey	INPUT	
11	William H. Young	INPUT	
12	Kevin M. Plexico	INPUT	
13	Donald A. Peacock	INPUT	
14	Andrew Y. Sung	INPUT	
15	Christopher R. Gildea	INPUT	
16	Deepak Bhat	INPUT	
17	Marcus Fedeli	INPUT	
18	Suzanne Haleen	INPUT	
19	Barbara Austin	INPUT	
20	Douglas Strahan	INPUT	
21	Todd Rice	INPUT	
22	Russell McKinnon	INPUT	

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Consolidated Financial Statements as of and for the Years Ended December 31, 2006 and 2005, and Independent Auditors' Report

INPUT

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Deloitte.

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1750 Tysons Boulevard
McLean, VA 22102-4219
USA

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Fax: +1 703 251 3400
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
INPUT
Reston, Virginia

We have audited the accompanying consolidated balance sheets of INPUT (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 4 to the consolidated financial statements, effective January 1, 2006, the Company changed its method of accounting for stock-based compensation to conform to the Statement of Financial Accounting Standard No. 123(R), *"Share-Based Payment"*.

Deloitte + Touche LLP

July 6, 2007

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CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2006 AND 2005

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,945,932	$ 3,692,938
Short-term investments	1,950,000	-
Accounts receivable, net of allowance for doubtful accounts and reserves of $252,577 and $225,750, respectively	3,881,421	4,249,414
Prepaid expenses and other current assets	1,422,385	1,696,334
Total current assets	9,199,738	9,638,686
PROPERTY AND EQUIPMENT — Net	688,059	932,310
OTHER ASSETS	184,037	285,201
DUE FROM RELATED PARTY	-	142,253
TOTAL	$ 10,071,834	$ 10,998,450
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 371,425	$ 463,154
Accrued expenses	1,212,002	1,563,713
Capital lease obligation — current portion	14,076	13,055
Deferred revenue — current portion	10,449,660	10,559,854
Total current liabilities	12,047,163	12,599,776
DEFERRED REVENUE — Noncurrent portion	182,907	408,198
CAPITAL LEASE OBLIGATION — Noncurrent portion	2,451	16,527
OTHER LONG-TERM LIABILITIES	357	127,864
Total liabilities	12,232,878	13,152,365
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDERS' DEFICIT:		
Common stock, $0.01 par value — authorized, 20,000,000 shares; issued, 8,866,010 and 8,866,010 shares and outstanding, 8,728,135 and 8,850,635 shares at December 31, 2006 and 2005, respectively	60,935	60,935
Additional paid-in capital	15,549	12,848
Treasury stock, 137,875 and 15,375 shares, respectively — at cost	(130,981)	(14,606)
Accumulated deficit	(1,453,769)	(2,202,211)
Accumulated other comprehensive loss	(10,525)	(10,881)
	(1,518,791)	(2,153,915)
Promissory notes receivable from principal stockholders	(142,253)	-
Short-term investment — collateral for personal loan of principal stockholders	(500,000)	-
Total stockholders' deficit	(2,161,044)	(2,153,915)
TOTAL	$ 10,071,834	$ 10,998,450

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
REVENUES	$22,570,904	$20,942,453
OPERATING EXPENSES:		
Cost of revenues	8,813,249	7,114,153
Sales and marketing	8,331,724	8,242,027
Research and development	2,011,904	2,264,612
General and administrative	2,407,604	2,382,759
Depreciation and amortization	580,112	602,515
Total operating expenses	22,144,593	20,606,066
INCOME FROM OPERATIONS	426,311	336,387
OTHER INCOME	186,509	108,482
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	612,820	444,869
INCOME TAX BENEFIT	139,872	-
NET INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	752,692	444,869
CUMULATIVE EFFECT ON PRIOR YEARS (TO DECEMBER 31, 2004) OF CHANGING TO A DIFFERENT METHOD OF COMMISSION EXPENSE ACCOUNTING (Note 9)	-	1,003,417
NET INCOME	$ 752,692	$ 1,448,286

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Transactions with or for the benefit of Principal Stockholders	Total Stockholders' Deficit
	Shares	Amount		Shares	Amount				
BALANCE — December 31, 2004	8,856,010	$ 60,860	$ 1,646	2,500	$ (2,375)	$(11,329)	$ (3,644,220)	$ -	$ (3,595,418)
Repurchase of common stock	(29,625)	-	-	29,625	(28,144)	-	-	-	(28,144)
Stock-based compensation expense	-	-	17,850	-	-	-	-	-	17,850
Issuance of common stock upon exercise of options	24,250	75	(6,648)	(16,750)	15,913	-	(6,277)	-	3,063
Components of comprehensive income:									
Currency translation adjustments	-	-	-	-	-	448	-	-	448
Net income							1,448,286		1,448,286
Comprehensive income	-	-	-	-	-	448	1,448,286	-	1,448,734
BALANCE — December 31, 2005	8,850,635	60,935	12,848	15,375	(14,606)	(10,881)	(2,202,211)	-	(2,153,915)

(Continued)

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive	Accumulated	Transactions with or for the benefit of Principal	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	Loss	Deficit	Stockholders	Deficit
BALANCE — December 31, 2005	8,850,635	$60,935	$12,848	15,375	$ (14,606)	$(10,881)	$ (2,202,211)	$ -	$(2,153,915)
Promissory notes receivable	-	-	-	-	-	-	-	(142,253)	(142,253)
Short-term investment — pledged as collateral for personal loan of principal stockholders	-	-	-	-	-	-	-	(500,000)	(500,000)
Repurchase of common stock	(127,500)	-	-	127,500	(121,125)	-	-	-	(121,125)
Stock-based compensation expense	-	-	2,701	-	-	-	-	-	2,701
Issuance of common stock upon exercise of options	5,000	-	-	(5,000)	4,750	-	(4,250)	-	500
Components of comprehensive income:									
Currency translation adjustments	-	-	-	-	-	356	-	-	356
Net income							752,692		752,692
Comprehensive income	-	-	-	-	-	356	752,692	-	753,048
BALANCE — December 31, 2006	8,728,135	$60,935	$15,549	137,875	$(130,981)	$(10,525)	$ (1,453,769)	$ (642,253)	$(2,161,044)

See notes to consolidated financial statements.

(Concluded)

INPUT

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 752,692	$ 1,448,286
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	580,112	602,515
Provision for doubtful accounts and reserves	28,565	22,458
(Gain) loss on disposal of fixed assets	(8,323)	20,003
Deferred income tax	(143,097)	(24,391)
Stock-based compensation expense	2,701	17,850
Amortization of discount on related-party notes receivable	(3,340)	(2,862)
Cumulative effect on prior years (to December 31, 2004) of changing to a different method of commission expense accounting (Note 9)	-	(1,003,417)
Changes in operating assets and liabilities:		
Accounts receivable	339,428	326,452
Prepaid expenses and other current assets	539,524	(571,171)
Other assets	(16,070)	(20,330)
Accounts payable and accrued expenses	(446,043)	357,092
Deferred revenue	(335,485)	(205,548)
Other long-term liabilities	(127,507)	127,864
Net cash provided by operating activities	1,163,157	1,094,801
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Due from related party	-	(47,418)
Purchase of property and equipment	(335,861)	(462,689)
Purchase of short-term investments	(2,450,000)	-
Proceeds from sale of property and equipment	8,323	1,077
Net cash used in investing activities	(2,777,538)	(509,030)
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Repurchase of common stock	(121,125)	(28,144)
Proceeds from exercise of stock options	500	3,063
Principal payments on capital lease obligations	(13,055)	(11,057)
Net cash used in financing activities	(133,680)	(36,138)
EFFECT OF EXCHANGE RATES ON CASH	1,055	(2,559)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,747,006)	547,074
CASH AND CASH EQUIVALENTS — Beginning of year	3,692,938	3,145,864
CASH AND CASH EQUIVALENTS — End of year	$ 1,945,932	$ 3,692,938

(Continued)

INPUT

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 1,788	$ 2,282
Cash paid during the year for income taxes	$ 18,171	$ -
NONCASH DISCLOSURE OF INVESTING AND FINANCING ACTIVITIES:		
Imputed interest on related-party notes receivable	$ -	$ 1,670
Equipment obtained under capital lease	$ -	$ 39,735
Accrued fixed asset additions	$ -	$ 54,222
Transfer of short-term investment pledged as collateral for personal loan of principal stockholders from short-term investments to stockholders' deficit	$ 500,000	$ -
Transfer of promissory notes receivable due from principal stockholders from assets to stockholders' deficit	$ 142,253	$ -

See notes to consolidated financial statements.

(Concluded)

1. ORGANIZATION

INPUT ("INPUT" or the "Company") helps companies develop federal, state, and local government business and helps public sector organizations achieve their objectives. The Company has four primary lines of business to meet the needs of its customers: information services, consulting services, software solutions, and events.

The Company was initially incorporated in December 1976 under the laws of the state of California. The common stock of the California corporation was no par stock. In August 2000, the Company created an entity incorporated in the state of Nevada. In January 2001, the California corporation merged into the Nevada corporation, with the Nevada corporation being the surviving entity. The common stock of the Nevada corporation has a par value of $0.01. The accompanying consolidated financial statements include the accounts of INPUT, a Nevada corporation; INPUT, Inc., a Virginia corporation and wholly owned subsidiary; INPUT Limited, a wholly owned subsidiary operating in the United Kingdom; INPUT SARL, a dormant wholly owned French subsidiary; and INPUT, GmbH, a dormant wholly owned German subsidiary.

The Company's operations are subject to certain risks and uncertainties that could affect future operations and financial performance. Other risks to which the Company is exposed include uncertainties relating to product development; rapidly changing technology; current and potential competitors with greater financial, technological, production, and marketing resources; and dependence on key management personnel.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation — The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Reclassifications — Certain amounts in the prior-year financial statements have been reclassified to conform to current-year presentation.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition — The Company's revenues consist of subscription revenues, services revenues, and software revenues. The Company recognizes revenue in accordance with Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*, as amended by SAB No. 104, *Revenue Recognition*, Emerging Issues Task Force ("EITF") Issue No. 00-3, *Application of AICPA Statement of Position 97-2 to Arrangements that Include the Right to Use Software Stored on Another Entity's Hardware,* and EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*.

Subscription-based revenues are revenues derived from arrangements in which the Company's clients subscribe to hosted software products and services. Revenues are recognized ratably over the contract term, typically one year. Multiple subscription products are sold on single contracts and revenues are recognized at relative fair market value for each component.

Services revenues are derived from the delivery of market studies and surveys, market assessments and forecasts, and due diligence and competitive benchmark studies. Revenues are recognized relative to the Company's proportionate performance based on labor hours incurred to date compared to total estimated labor hours, or other appropriate input or output measure, or the completed contract method, depending on the terms of the contract.

Software revenues are derived from arrangements in which the Company's clients license proprietary software developed and hosted by the Company. Software licenses are sold with implementation, configuration, maintenance, and support services. The Company has not sold these services on a stand-alone basis and, therefore, has not determined the fair value of those services. Accordingly, software license revenue is recognized ratably over the term of the arrangement after implementation and configuration services are completed.

Events revenues are derived from breakfast events, conferences, and seminars. Revenues are recognized when the event is completed.

Barter transactions represent the exchange of the Company's subscription and other services for merchandise or services. These transactions are accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 153 ("SFAS No. 153"), *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29*. The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The amendment also eliminates the narrow exception for nonmonetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. At inception, the Company records an asset and a liability equal to the fair value of the services exchanged. Revenue is recorded at the fair value of the services relinquished. Expense is recorded at the fair value of the merchandise or services received. Revenue is recognized on barter transactions over the term of the arrangement for subscriptions. Expenses are recorded when the merchandise or service received is utilized. Barter revenue for the years ended December 31, 2006 and 2005, was $679,202 and $424,383, respectively, and is included in revenue. Barter expense for the years ended December 31, 2006 and 2005, was $774,969 and $332,616, respectively, and is included primarily in sales and marketing expense.

Advance payments are recorded as deferred revenue until services are delivered or obligations are met. Deferred revenue represents the difference between the amounts invoiced and the amounts recognized as revenues.

Commission Expense — Commission expense relating to subscription orders is recognized ratably over the subscription term. Commission expense relating to nonsubscription orders is expensed in the period that the order is sold (see Note 9).

Cash and Cash Equivalents — The Company considers all highly liquid investments purchased with a maturity or redemption feature of three months or less to be cash equivalents. The Company maintains cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured amounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Short Term Investments — Short term investments at December 31, 2006 and 2005 of $2,450,000 and $0, respectively, consist of time deposits at a bank that range from 6 months to one year in original maturity. $500,000 of the amount at December 31, 2006 serves as collateral to secure a personal bank loan to the Company's principal stockholders (see Note 5) which is included as a component of stockholders' deficit at December 31, 2006.

Impairment of Long-Lived Assets — On January 1, 2002, the Company adopted SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, but retains its fundamental provision for recognizing and measuring impairment of long-lived assets to be held and used. This statement requires that all long-lived assets to be disposed of by sale be carried at the lower of carrying amount or fair value less cost to sell, and that depreciation cease to be recorded on such assets. SFAS No. 144 standardizes the accounting and presentation requirements for all long-lived assets to be disposed of by sale, and supersedes previous guidance for discontinued operations of business segments. In accordance with SFAS No. 144, the Company reviews its recorded long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Based on the Company's analysis, there were no impairment issues for the years ended December 31, 2006 and 2005.

Property and Equipment — Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computer and office equipment	3–5 years
Office furniture	5 years
Computer software	3 years
Leasehold improvements	Lesser of related lease term or useful life

Equipment held under capital lease obligations is classified as property and equipment and amortized using the straight-line method over the lesser of the useful life or the term of the lease. Amortization of equipment under capital lease obligations is included with depreciation expense for similar types of equipment.

Repairs and maintenance are charged to expense as incurred. When assets are retired or otherwise disposed of, the asset and related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income.

Stock-Based Compensation — Prior to January 1, 2006, the Company accounted for its stock-based employee compensation in accordance with APB No. 25, *Accounting for Stock Issued to Employees*. SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock Based Compensation—Transition and Disclosure, an amendment of SFAS No. 123*, which allowed companies to account for stock-based compensation using either the provisions of SFAS No. 123 or the provisions of APB No. 25, but required proforma disclosure in the notes to the financial statements as if the measurement provisions of SFAS No. 123 had been adopted. Generally, no expense was recognized related to the Company's stock options because the option's exercise price was set at the underlying stock's fair market value on the date the option was granted.

On January 1, 2006, the Company adopted the provisions of SFAS No. 123R, *Share Based Payment,* ("FAS 123R") which requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation over the service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes valuation model, which is consistent with valuation techniques previously utilized for options in footnote disclosures required under SFAS No. 123. Such value is recognized as expense over the service period, net of estimated forfeitures, using the straight-line method. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from the Company's current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. Management considers many factors when estimating expected forfeitures, including employee class, historical experience, and expected future activity. Actual results, and future changes in estimates, may differ substantially from management's current estimates.

The Company adopted FAS 123R prospectively. Under this transition method, the Company's reported stock-based compensation expense includes expense related to awards granted subsequent to January 1, 2006, which is based on the grant date fair value estimated in accordance with the provisions of FAS 123R using the Black-Scholes valuation model. The Company's consolidated financial statements for the year ended December 31, 2006 reflect the impact of adopting FAS 123R. In accordance with the prospective method, the consolidated financial statements for the prior periods have not been restated to reflect, and do not include, the effect of FAS 123R.

Concentrations of Credit Risk — Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company generally maintains its cash balances in accounts with nationally recognized institutions. Customers are granted credit on an unsecured basis. Management monitors the creditworthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

Income Taxes — Deferred taxes are provided utilizing the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amount of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Advertising Costs — The Company expenses advertising costs as incurred. For the years ended December 31, 2006 and 2005, total advertising costs including barter transactions were $955,911 and $639,182, respectively. Advertising costs related to barter transactions were $752,639 and $321,816, respectively, for the years ended December 31, 2006 and 2005.

Other Comprehensive Loss — All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as foreign currency translation adjustments, a component of accumulated other comprehensive loss, net within the stockholders' deficit section of the consolidated balance sheet. As of December 31, 2006 and 2005, accumulated other comprehensive loss included $356 and $448, respectively, of income from foreign currency translation adjustments.

New Accounting Pronouncements — In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement 109* ("FIN 48"). The rule clarifies what criteria must be met prior to recognition of the financial statement benefit of a

position taken in a tax return. The effective date for FIN 48 is for fiscal years beginning after December 15, 2006. The Company is currently analyzing the impact, if any, the rule will have on its results of operations, financial position, and cash flows.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting SFAS 157.

In February 2007, FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities* ("FAS 159"). FAS 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This Statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. This Statement is effective no later than fiscal years beginning on or after November 15, 2007. The Company is currently evaluating the impact adoption of FAS 159 will have on its financial position and results of operations.

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2006 and 2005, consists of the following:

	2006	2005
Computer and office equipment	$ 1,645,197	$ 1,429,858
Office furniture	143,177	135,423
Computer software	627,936	577,450
Leasehold improvements	9,245	6,963
	2,425,555	2,149,694
Less accumulated depreciation	(1,737,496)	(1,217,384)
Total	$ 688,059	$ 932,310

4. STOCKHOLDERS' DEFICIT

Common Stock — In February, April, May, June and August 2005, the Company repurchased a total of 6,750, 5,000, 2,500, 15,000, and 375, respectively, outstanding shares of common stock primarily from stockholders no longer involved with the Company for $0.95 per share. The Board of Directors approved the stock repurchases at the February 2005, April 2005, May 2005, June 2005, and August 2005 meetings, respectively. The Company repurchased the shares with the intention to hold the shares in treasury for future distribution. The shares are included in treasury stock.

In May, October, November, and December 2006, the Company repurchased a total of 15,000, 5,000, 100,000, and 7,500, respectively, outstanding shares of common stock primarily from stockholders no longer involved with the Company for $0.95 per share. The Board of Directors approved the stock

repurchases at the April 2006 and October 2006 meetings. The Company repurchased the shares with the intention to hold the shares in treasury for future distribution. The shares are included in treasury stock.

Stock Option Plans — On October 27, 1993, the Company adopted the 1993 Stock Incentive Plan (the "Plan") to issue 2,600,000 authorized shares of common stock to attract, retain, and reward key individuals who have contributed to the growth of the Company. These individuals include all employees and directors. The Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals are awarded options pursuant to the Plan, and the terms and option exercise prices of the stock options. The Plan terminated in October 2003.

On January 15, 2004, the Company adopted the 2004 Stock Option Plan (the "2004 Plan") to issue 1,400,000 authorized shares of common stock to retain and reward key individuals who contribute to the success of the Company. These individuals include employees, consultants, or directors. The 2004 Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals receive awards under the 2004 Plan, and the terms and option exercise prices of stock options. The 2004 Plan terminates in January 2014.

At December 31, 2006 and 2005, respectively, options to purchase 609,375 and 986,375 shares were outstanding under both the Plan and the 2004 Plan and 878,500 and 614,000 shares were available for future grants.

Each qualified and nonqualified incentive stock option granted pursuant to the Plan and the 2004 Plan has an exercise price equal to or less than the fair market value of the common stock at the date of the grant and a term ranging from five to ten years. The majority of options granted during 2006 and 2005 vest over three to four years.

The following table summarizes the activity of the Company's Plan:

	Number of Options	Range of Exercise Prices	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Balance — December 31, 2004	650,500	\$0.10–\$0.95	\$ 0.89	
Granted	681,500	0.95	0.95	
Exercised	(24,250)	0.10–0.95	0.13	
Terminated	(321,375)	0.95	0.95	
Balance — December 31, 2005	986,375	\$0.10–\$0.95	\$ 0.93	
Granted	187,500	0.95	0.95	
Exercised	(5,000)	0.10	0.10	
Terminated	(559,500)	0.95	0.95	
Balance — December 31, 2006	609,375	\$0.10–\$0.95	\$ 0.93	\$ 75,813

The weighted-average fair value of options granted during 2006 was \$0.54. In 2006, with the prospective application of FAS 123R, the fair value of each option was estimated on the date of grant using the calculated value method. To estimate the option term, the Company has evaluated the contractual term and vesting period of employee options, as well as historical employee option exercise activity to determine the expected option term. For the risk-free interest rate, the Company uses a U.S.

Treasury bond rate consistent with the estimated expected term of the option award. There is no active external or internal market for the Company's common shares. Thus, it was not possible to estimate the expected volatility of the Company's share price in estimating fair value of options granted. Accordingly, as a substitute for such volatility, the Company used the average historical volatility of several publicly-traded companies in similar industries to that of the Company. The following assumptions were used for grants issued during the year ended December 31, 2006:

Volatility	56.00 %
Dividend yield	0.00 %
Average risk-free interest rate	4.54% — 5.04%
Expected life of option	4.5 years

Options to purchase 236,375 and 300,406 shares of the Company's common stock were exercisable at December 31, 2006 and 2005, respectively, at a weighted-average per share exercise price of $0.89 per share for both 2006 and 2005. The weighted-average remaining contractual life of options exercisable at December 31, 2006 and 2005, was 2.19 and 3.05 years, respectively.

The weighted-average remaining contractual life of options outstanding at December 31, 2006 and 2005, was 3.27 and 3.90 years, respectively.

The total intrinsic value of options exercised during 2006 was $4,383.

The 1993 Stock Incentive Plan and the 2004 Stock Option Plan provide for the repurchase of stock from former employees within 185 days from their effective termination date, or if later, the exercise date of the option, at the election of the Company. During 2006 and 2005, respectively, the Company repurchased 127,500 and 29,625 shares of stock at $0.95 per share. Of these repurchases during 2006 and 2005, 0 and 21,750 shares, respectively, were immature shares as defined by EITF 00-23, *Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44*. As required by EITF 00-23, the Company recorded stock compensation expense for immature shares in the amount of $0 and $17,850 in 2006 and 2005, respectively. Prior to 2006, the Company adopted the disclosure requirements of SFAS No. 148, *Accounting for Stock-Based Compensation*. The Company applied APB Opinion No. 25 and related interpretations in accounting for its Plan. Accordingly, compensation costs were recognized for its stock plan based on the intrinsic value of the stock options at the date of grant. At December 31, 2005, all stock options granted had been issued at the fair value of the Company's common stock, and therefore, no compensation cost was recognized. On January 1, 2006, the Company adopted the provisions of SFAS No. 123R and recognized $2,701 in compensation costs relating to options granted in 2006. As of December 31, 2006, there was approximately $34,000 of unrecognized compensation cost related to unvested stock options. That cost is expected to be recognized over a weighted average period of 3.85 years.

5. RELATED-PARTY TRANSACTIONS

An individual from the law firm that served as the Company's primary legal counsel also serves as a director of the Company. The Company paid $10,000 and $7,818 in 2006 and 2005, respectively, for his services as a director. The Company paid $0 and $12,513 to that law firm for legal services for the years ended December 31, 2006 and 2005, respectively; those amounts are included within general and administrative expenses. At December 31, 2006 and 2005, the Company owed the law firm $0 for services rendered during 2006 and 2005.

An individual consultant used by the Company is also a member of the principal shareholder's immediate family as well as a shareholder. The Company paid this individual $50,650 and $14,638 in 2006 and 2005, respectively, for consulting services. This amount is included in general and administrative expenses. At December 31, 2006 and 2005, the Company owed this individual $0 and $32,731 for services rendered during 2006 and 2005. This amount is included within accounts payable and accrued expenses.

An individual from a consulting firm used by the Company for strategic planning also serves as a director for the Company. The Company paid $31,212 and $0 to that firm for the years ended December 31, 2006 and 2005, respectively. At December 31, 2006 and 2005, the Company owed the consulting firm $0 for services rendered during 2006 and 2005.

The Company holds promissory notes due from its principal stockholder related to payments made by the Company on behalf of the stockholder's personal insurance policies. The balance of these notes was $142,253 as of December 31, 2006 and 2005. The notes were payable on November 30, 2006, and bore interest in the range of 1.50% to 3.58% per annum; on January 1, 2007, they were replaced with notes bearing interest at 4.58% per annum, and maturing on January 15, 2010. As of December 31, 2006 and 2005, no principal amounts had been paid. The notes were reclassified from the asset "due from related party" and included as a component of stockholders' deficit at December 31, 2006 following the extension of their term. Interest of $3,584 and $1,887 was received in 2006 and 2005, respectively, for interest due through August 2006 and 2005. As the stated interest rates on the notes that expired on November 30, 2006 were below market rates, the Company calculated imputed interest and recorded a discount on the notes in the amount of $0 and $1,670 in 2006 and 2005, respectively. This is included in other long-term assets on the balance sheet. In 2006 and 2005, the Company has recognized $3,340 and $2,862, respectively, in imputed interest income.

Separate and apart from the life insurance policies described in the preceding paragraph, the Company is collaterally assigned the lesser of the cash surrender value or premiums paid by the Company, less amounts reimbursed by the principal stockholders, of a personal insurance policy for its principal stockholders. Payments are made by the Company and the economic value of such payments is reimbursed annually by the principal stockholders. The premiums paid, less amounts reimbursed by the principal stockholders, were $211,980 and $197,591 as of December 31, 2006 and 2005, respectively. The policy was cancelled in January 2007, and the Company received proceeds of $211,980 as a result.

On May 11, 2006, the disinterested members of the Board of Directors unanimously approved the use of the Company cash deposits as collateral to secure a personal bank loan to the Company's principal stockholders. In accordance with this agreement, the Company shall pledge cash deposits up to $3,500,000 as security for the borrowing obligations of the principal stockholders to the bank. As a condition for this pledge by the Company, the principal stockholders in exchange pledged to the Company 1,800,000 shares of their stock in the Company, as security for their obligation to fully reimburse the Company in the event there is a call on the Company's pledge to the bank. As of December 31, 2006, $500,000 was borrowed by the principal stockholders in connection with this arrangement, and as such $500,000 of these funds held in the Company's short term investments (see Note 2) serve as collateral to secure this loan and are reflected as a component of stockholders' deficit at December 31, 2006. Subsequent to December 31, 2006, the amount borrowed by the principal stockholders increased to $1,515,000, requiring the Company to pledge an additional $1,015,000 as collateral at that time.

6. INCOME TAXES

The components of the provision (benefit) for income taxes at December 31, 2006 and 2005, are as follows:

	2006	2005
Current:		
Federal	$ (5,099)	$ 24,391
State	8,324	-
Total current	3,225	24,391
Deferred:		
Federal	(127,402)	(24,391)
State	(15,695)	-
Total deferred	(143,097)	(24,391)
Total	$ (139,872)	$ -

At December 31, 2006, the Company had net operating loss carryforwards ("NOLs") of $1,150,362 that will expire through 2025. The realization of the benefits of the NOLs is dependent on sufficient taxable income in future years. Lack of further earnings, a change in the ownership, or the application of the alternative minimum tax rules could adversely affect the Company's ability to utilize the NOLs. The Company's net deferred tax assets at December 31, 2006 and 2005, consist of the following:

	2006	2005
Deferred tax assets:		
Net operating loss carryforwards — domestic	$ 210,463	$ 445,551
Net operating loss carryforwards — foreign	113,296	99,010
Tax credits	19,292	24,391
Accrued vacation	52,631	46,872
Accrued bonuses and commissions	21,905	67,262
Allowance for doubtful accounts	90,676	85,035
Other accrued expenses	-	17,929
Deferred rent	43,536	77,353
Deferred revenue	69,478	154,952
Charitable contributions	-	8,010
Depreciation and amortization	68,710	28,486
Total deferred tax assets	689,987	1,054,851
Deferred tax liabilities:		
Prepaid expenses	9,399	9,995
Deferred commission expense	250,909	359,381
State taxes	699	698
Total deferred tax liabilities	261,007	370,074
Net deferred tax assets	428,980	684,777
Valuation allowance	(261,492)	(660,386)
Net deferred tax assets	$ 167,488	$ 24,391

A valuation allowance of $261,492 and $660,386 at December 31, 2006 and 2005, respectively, has been recorded to adjust the carrying value of the net deferred tax asset to the amount that the Company is more likely than not to realize in future years, based on management estimates.

A reconciliation of the statutory federal and state income taxes and the effective income tax rate at December 31, 2006 and 2005, is as follows:

	2006	2005
Federal income tax liability at statutory rate	34.00 %	34.00 %
Permanent adjustments	4.71	1.04
State income tax liability net of federal liability	3.99	3.96
Net change in valuation allowance	(65.52)	(39.00)
Effective tax rate	(22.82)%	0.00 %

7. COMMITMENTS AND CONTINGENCIES

Leases — The Company leases office space and certain equipment under operating lease agreements.

In January 2005, the Company entered into an agreement to sublease office space in Reston, Virginia, to serve as a new corporate headquarters. The lease commenced in February 2005, and it expires in December 2007. The lease contains escalation clauses, and is subject to the terms and provisions of the lessor's original lease with the landlord.

Rent expense related to these operating leases was $776,155 and $731,589 for the years ended December 31, 2006 and 2005, respectively.

Future minimum lease payments under capital and noncancelable operating leases as of December 31, 2006, are as follows:

	Capital	Operating
2007	$ 14,843	$ 886,478
2008	2,474	154
Total future minimum payments	17,317	$ 886,632
Less amount representing interest	790	
Present value of minimum lease payments	16,527	
Less current portion of capital lease obligations	14,076	
Long-term portion	$ 2,451	

Assets recorded under capital lease obligations aggregated $39,735 as of December 31, 2006 and 2005. Accumulated depreciation of assets under capital lease obligations totaled $24,282 and $11,037 at December 31, 2006 and 2005, respectively. Depreciation of assets under capital lease is included in depreciation expense.

8. EMPLOYEE BENEFIT PLAN

Eligible Company employees can elect to participate in a defined contribution 401(k) retirement plan. The retirement plan allows employees to make pretax contributions to the plan subject to a statutorily prescribed annual limit. Each participant is fully vested in his or her contributions and the related investment earnings. The Company may make contributions to the retirement plan, including matching contributions, at its discretion. During the years ended December 31, 2006 and 2005, the Company recognized expense related to matching contributions of $185,361 and $193,419, respectively.

9. CHANGE IN METHOD OF ACCOUNTING FOR COMMISSION EXPENSE

During 2005, the Company changed its method for accounting for commission expense incurred related to subscription sales. Prior to 2005, the entire commission cost for a particular sale was included in net income in the month that the sale occurred. Because the Company records revenue on subscription sales ratably over the contract term, as described in Note 2, the previous method of accounting created a

mismatching between revenue recognized on subscription sales and the related direct and incremental costs of earning that revenue.

Under the new method of accounting for commission expense, the expense is recognized ratably over the term of the associated subscription orders. The Company believes that the new method more accurately reflects the periodic results of operations, in that the associated incremental costs are now matched to revenues. The new method also eliminates seasonal distortions in reported net income that arose due to the fact that a ratable and predictable revenue stream was being compared against commission expenses that moved in conjunction with seasonal and irregular sales order patterns. The new method will further benefit management and shareholders by making it easier to analyze and forecast net income.

The adjustment of $1,003,417 to apply retroactively the new method is included in income in 2005.

* * * * * *

Member of
Deloitte Touche Tohmatsu

-INPUT – A NEVADA CORPORATION

BOARD OF DIRECTORS

JULY 2007

Peter A. Cunningham	Chairman of the Board, Director
Occupation:	President INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	P.O. Box 30998 725 Britannia Drive Grand Cayman KY1-1204 Cayman Islands
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941

Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	P.O. Box 30998 725 Britannia Drive Grand Cayman KY1-1204 Cayman Islands
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

William H. Bryant	Director, INPUT (Elected 3/20/81)
Occupation:	Retired (Previously Corporate Attorney) 24 Sandstone Portola Valley, Ca. 94028
Telephone	(650) 851-1437

Jed Laird	Director, INPUT (Elected 7/13/05)
Occupation:	Chairman and CEO
	LAIRD SQUARED
	304 Park Avenue South, 11th Floor
	New York, NY 10010
	(212) 590-2335
Address:	
Telephone:	
Birth Date:	

Thomas L. Hewitt	Director, INPUT (Re-Elected 9/1/03)
	(Prior Election 12/18/01-08/16/02)
Occupation:	
Address:	139 Commodore Drive
	Jupiter, FL 33477
Telephone:	(703) 228-0066 (VA)
	(571) 232-8859 (Cell)
	SS: 238-60-7006

INPUT - ANNUAL STOCKHOLDER'S MEETING
2007 Notice Distr

7/25/2007

	NAME	Address	Notice of Meeting Distrib.
	STOCKHOLDERS		
1	Cayman E-Business Ltd.	C/O Royal Bank of Canada PO Box 1586 Grand Cayman KY1-1110 Cayman Islands	Sent by Pat
2	William H. Bryant (Director)	INPUT Director 24 Sandstone Portola Valley, CA 94028 By DHL	
3	Thomas Hewitt (Director)	Home Address	
4	David Heinemann	C/O INPUT	
5	Myra Sue Grothoff	C/O INPUT	
6	Scott P. Massey	C/O INPUT	
7	William H. Young	C/O INPUT	
8	Kevin M. Plexico	C/O INPUT	
9	Andrew Y. Sung	C/O INPUT	
10	Deepak Bhat	C/O INPUT	
11	Suzanne Masini (Haleen)	C/O INPUT	
12	Barbara Austin	C/O INPUT	
13	Todd Rice	C/O INPUT	
14	Amanda Morgan (Brown)	Home Address	
	OTHER (cc)		
1	Peter Cunningham (Chair & Cayman E'Business Proxy Holder)	Home Address	Sent by Pat
2	Patricia Cunningham (Secretary)	Home Address	Sent by Pat
3	Jed Laird (Director)	Business Address - By DHL	

INPUT – A NEVADA CORPORATION

COMPANY OFFICERS

DECEMBER 2007

Peter A. Cunningham	Chairman of the Board, Director.
Occupation:	President INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941

Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	P.O. Box 30998 SMB 725 Britannia Drive Grand Cayman Cayman Islands, BWI
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

Kevin Plexico	
Occupation:	Executive Vice President, Operations (Elected 7/06) (Exec. VP: Elected 8/00), (VP: Elected 1/98), (Director: Elected 11/99 – Resigned 7/05), (Hired
12/07/92)	
	INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	44018 Cheltenham Circle Ashburn, VA 20147
Telephone:	(703) 858-0565
Birth Date:	May 8, 1970

Wayne Adams	
Occupation:	Executive Vice President, Sales & Members Services (Elected 7/06) (Sr. VP: Elected 10/13/05) (Hired 10/03/05) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	
Telephone:	
Birth Date:	00/00/00

David Heinemann	
Occupation:	Executive Vice President, Finance & CFO (Elected 10/17/06), (Director: Elected 4/00 – Resigned 7/05), (Hired 2/15/05) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	
Telephone:	
Birth Date:	00/00/00

VICE PRESIDENTS – NOT OFFICERS OF THE COMPANY

(Refer to Page 2, April 20th, 2006 Minutes of the Board of Directors)

Brian Haney	
Occupation:	Vice President, Member Services (Elected 10/17/06), (Hired 07/29/02) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	
Telephone:	
Birth Date:	00/00/00

Schalene Dagutis	
Occupation:	Vice President, S&L Information Services (Elected 10/17/06), (Hired 07/06/04) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	
Telephone:	
Birth Date:	00/00/00

Mary Beth Cockerham	
Occupation:	Vice President, Sales (Elected 04/19/07), (Hired 12/04/06) INPUT 10790 Parkridge Blvd., Suite 200 Reston, VA 20191 (703) 707-3500
Address:	
Telephone:	
Birth Date:	00/00/00

Consolidated Financial Statements and Report of Independent Certified Public Accountants

INPUT

December 31, 2007 and 2006

INPUT

Contents

Audit • Tax • Advisory

Grant Thornton LLP
2010 Corporate Ridge, Suite 400
McLean, VA 22102-7838

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Report of Independent Certified Public Accountants

The Board of Directors
INPUT

We have audited the accompanying consolidated balance sheets of INPUT (a Nevada Corporation) as of December 31, 2007, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of INPUT as of and for the year ended December 31, 2006, were audited by other auditors. Those auditors expressed an unqualified opinion on those consolidated financial statements in their report dated July 6, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of INPUT as of December 31, 2007, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

McLean, Virginia
July 3, 2008

INPUT

Consolidated Balance Sheets

December 31,		2007		2006
Assets				
Current Assets				
Cash and cash equivalents	$	1,550,330	$	1,945,932
Short-term investments		716,476		1,950,000
Accounts receivable, net of allowance for doubtful accounts and reserves of $240,899 and $252,577, respectively		3,458,406		3,881,421
Prepaid expenses and other current assets		1,302,064		1,422,385
Total current assets		7,027,276		9,199,738
Property and equipment, net		598,294		688,059
Other assets		338,077		184,037
Total Assets	$	7,963,647	$	10,071,834
Liabilities and Stockholders' Deficit				
Current Liabilities				
Accounts payable	$	218,988	$	371,425
Accrued expenses		1,444,181		1,212,002
Capital lease obligation, current portion		13,313		14,076
Deferred revenue, current portion		9,687,189		10,449,660
Total current liabilities		11,363,671		12,047,163
Other Liabilities				
Deferred revenue, noncurrent portion		272,903		182,907
Capital lease obligation, noncurrent portion		14,273		2,451
Other long-term liabilities		—		357
Total Liabilities		11,650,847		12,232,878
Commitments and Contingencies (Note G)		—		—
Stockholders' Deficit:				
Common stock, $0.01 par value – authorized, 20,000,000 shares; issued, 8,866,010 and 8,866,010 shares and outstanding, 8,467,510 and 8,728,135 shares at December 31, 2007 and 2006, respectively		60,935		60,935
Additional paid-in capital		30,018		15,549
Treasury stock, 398,500 and 137,875 shares, respectively – at cost		(406,638)		(130,981)
Accumulated deficit		(1,661,754)		(1,453,769)
Accumulated other comprehensive loss		(10,510)		(10,525)
		(1,987,949)		(1,518,791)
Promissory notes receivable from principal stockholders		(142,253)		(142,253)
Short-term investment – collateral for personal loan of principal stockholders		(1,556,998)		(500,000)
Total stockholders' deficit		(3,687,200)		(2,161,044)
Total Liabilities and Stockholders' Deficit	$	7,963,647	$	10,071,834

The accompanying notes are an integral part of these statements.

INPUT

Consolidated Statements of Operations

For the years ended December 31,	2007	2006
Revenue	$ 22,847,853	$ 22,570,904
Operating Expenses		
Cost of revenues	10,662,122	8,813,249
Sales and marketing	7,743,623	8,331,724
Research and development	1,702,812	2,011,904
General and administrative	2,721,098	2,407,604
Depreciation and amortization	445,406	580,112
Total operating expenses	23,275,061	22,144,593
(Loss) Income from operations	(427,208)	426,311
Other Income	244,043	186,509
(Loss) Income before Income Taxes	(183,165)	612,820
Income Tax Benefit	1,331	139,872
Net (Loss) Income	$ (181,834)	$ 752,692

The accompanying notes are an integral part of these statements.

INPUT

Consolidated Statements of Stockholders' Deficit

December 31, 2007 and 2006

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Transactions with or for the Benefit of Principal Stockholders	Total Stockholders' Deficit
	Shares	Amount		Shares	Amount				
Balance at December 31, 2005	8,850,635	$ 60,935	$ 12,848	15,375	$ (14,606)	$ (10,881)	$ (2,202,211)	$ —	$ (2,153,915)
Promissory notes receivable	—	—	—	—	—	—	—	(142,253)	(142,253)
Short-term investment – pledged as collateral for personal loan of principal stockholders	—	—	—	—	—	—	—	(500,000)	(500,000)
Repurchase of common stock	(127,500)	—	—	127,500	(121,125)	—	—	—	(121,125)
Stock-based compensation expense	—	—	2,701	—	—	—	—	—	2,701
Issuance of common stock upon exercise of options	5,000	—	—	(5,000)	4,750	—	(4,250)	—	500
Components of comprehensive income									
Currency translation adjustments	—	—	—	—	—	356	—	—	356
Net income	—	—	—	—	—	—	752,692	—	752,692
Comprehensive income	—	—	—	—	—	356	752,692	—	753,048
Balance at December 31, 2006	8,728,135	60,935	15,549	137,875	(130,981)	(10,525)	(1,453,769)	(642,253)	(2,161,044)
Discount on promissory notes receivable	—	—	—	—	—	—	(13,401)	—	(13,401)
Short-term investment – pledged as collateral for personal loan of principal stockholders	—	—	—	—	—	—	—	(1,056,998)	(1,056,998)
Repurchase of common stock	(280,625)	—	—	280,625	(294,657)	—	—	—	(294,657)
Stock-based compensation expense	—	—	14,469	—	—	—	—	—	14,469
Issuance of common stock upon exercise of options	20,000	—	—	(20,000)	19,000	—	(12,750)	—	6,250
Components of comprehensive income (loss):									
Currency translation adjustments	—	—	—	—	—	15	—	—	15
Net loss	—	—	—	—	—	—	(181,834)	—	(181,834)
Comprehensive income (loss)	—	—	—	—	—	15	(181,834)	—	(181,819)
Balance at December 31, 2007	8,467,510	$ 60,935	$ 30,018	398,500	$ (406,638)	$ (10,510)	$ (1,661,754)	$ (1,699,251)	$ (3,687,200)

The accompanying notes are an integral part of these statements.

INPUT

Consolidated Statements of Cash Flows

For the years ended December 31,		2007		2006
Cash Flows from Operating Activities				
Net (loss) income	$	(181,834)	$	752,692
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization		445,406		580,112
Provision for doubtful accounts and reserves		(11,834)		28,565
Gain on disposal of fixed assets		(2,828)		(8,323)
Barter activity, net		(4,000)		95,767
Deferred income tax		(270)		(143,097)
Stock-based compensation expense		14,469		2,701
Amortization of discount on related-party notes receivable		(4,118)		(3,340)
Changes in operating assets and liabilities:				
Accounts receivable		434,849		339,428
Prepaid expenses and other current assets		(152,103)		211,465
Other assets		(56,834)		(16,070)
Accounts payable and accrued expenses		6,018		(446,043)
Deferred revenue		(660,975)		(103,193)
Other long-term liabilities		(357)		(127,507)
Net Cash (Used in) Provided by Operating Activities		(174,411)		1,163,157
Net Cash Provided by (Used in) Investing Activities				
Purchase of property and equipment		(307,539)		(335,861)
Proceeds from sale of property and equipment		8,425		8,323
Purchase of short-term investments		(4,315,986)		(2,450,000)
Proceeds from sale of short-term investments		4,492,512		—
Proceeds from life insurance policy		211,980		—
Net Cash Provided by (Used in) Investing Activities		89,392		(2,777,538)
Cash Flows Provided by (Used in) Financing Activities				
Repurchase of common stock		(294,657)		(121,125)
Proceeds from exercise of stock options		6,250		500
Principal payments on capital lease obligations		(22,264)		(13,055)
Net Cash Used in Financing Activities		(310,671)		(133,680)
Effect of Exchange Rates on Cash		88		1,055
Net Decrease in Cash and Cash Equivalents		(395,602)		(1,747,006)
Cash and Cash Equivalents, beginning of year		1,945,932		3,692,938
Cash and Cash Equivalents, end of year	$	1,550,330	$	1,945,932

The accompanying notes are an integral part of these statements.

INPUT

Consolidated Statements of Cash Flows–Continued

For the years ended December 31,		2007		2006
Supplemental Disclosure of Cash Flow Information				
Cash paid during the year for interest	$	3,490	$	1,788
Cash paid during the year for income taxes		5,393		18,171
Noncash Disclosure of Investing and Financing Activities				
Imputed interest on related-party notes receivable		13,401		—
Equipment obtained under capital lease		33,323		—
Accrued fixed asset additions		20,376		—
Transfer of short-term investment pledged as collateral for personal loan of principal stockholders from short-term investments to stockholders' deficit		1,056,998		500,000
Transfer of promissory notes receivable due from principal stockholders from assets to stockholders' deficit		—		142,253

The accompanying notes are an integral part of these statements.

NOTE A—ORGANIZATION

INPUT ("INPUT" or the "Company") helps companies develop federal, state, and local government business and helps public sector organizations achieve their objectives. The Company has three primary lines of business to meet the needs of its customers: information services, software solutions, and events. In December 2007, the company terminated its consulting line of business. Consulting revenues were $671,956 and $826,473 for the years ended 2007 and 2006, respectively.

The Company was initially incorporated in December 1976 under the laws of the state of California. The common stock of the California corporation was no par stock. In August 2000, the Company created an entity incorporated in the state of Nevada. In January 2001, the California corporation merged into the Nevada corporation, with the Nevada corporation being the surviving entity. The common stock of the Nevada corporation has a par value of $0.01. The accompanying consolidated financial statements include the accounts of INPUT, a Nevada corporation; INPUT Limited, a wholly owned subsidiary operating in the United Kingdom; INPUT SARL, a dormant wholly owned French subsidiary; and INPUT, GmbH, a dormant wholly owned German subsidiary.

The Company's operations are subject to certain risks and uncertainties that could affect future operations and financial performance. Other risks to which the Company is exposed include uncertainties relating to product development; rapidly changing technology; current and potential competitors with greater financial, technological, production, and marketing resources; and dependence on key management personnel.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified to conform to current-year presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenue Recognition

The Company's revenues consist of subscription revenues, services revenues, and software revenues. The Company recognizes revenue in accordance with Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements,* as amended by SAB No. 104, *Revenue Recognition,* Emerging Issues Task Force ("EITF") Issue No. 00-3, *Application of AICPA Statement of Position 97-2 to Arrangements that Include the Right to Use Software Stored on Another Entity's Hardware,* and EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables.*

Subscription-based revenues are revenues derived from arrangements in which the Company's clients subscribe to hosted information products and services. Revenues are recognized ratably over the contract term, typically one year. Multiple subscription products are sold on single contracts and revenues are recognized at relative fair market value for each component.

Services revenues are derived from the delivery of market studies and surveys, market assessments and forecasts, and due diligence and competitive benchmark studies. Revenues are recognized relative to the Company's proportionate performance based on labor hours incurred to date compared to total estimated labor hours, or other appropriate input or output measure, or the completed contract method, depending on the terms of the contract.

Software revenues are derived from arrangements in which the Company's clients license proprietary software developed and hosted by the Company. Software licenses are sold with implementation, configuration, maintenance, and support services. The Company has not sold these services on a standalone basis and, therefore, has not determined the fair value of those services. Accordingly, software license revenue is recognized ratably over the term of the arrangement after implementation and configuration services are completed.

Events revenues are derived from breakfast events, conferences, and seminars. Revenues are recognized when the event is completed.

Barter transactions represent the exchange of the Company's subscription and other services for merchandise or services. These transactions are accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 153 ("SFAS No. 153"), *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29.* The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The amendment also eliminates the narrow exception for nonmonetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. At inception, the Company records an asset and a liability equal to the fair value of the services exchanged. Revenue is recorded at the fair value of the services relinquished. Expense is recorded at the fair value of the merchandise or services received. For subscriptions, barter revenue is recognized over the term of the agreement; other barter revenue is recognized as the services are rendered. Barter expense is recognized when the service is provided or when the merchandise is received. Barter revenue for the years ended December 31, 2007 and 2006, was $672,784 and $679,202, respectively, and is included in revenue. Barter expense for the years ended December 31, 2007 and 2006, was $668,784 and $774,969, respectively, and is included primarily in sales and marketing expense.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenue Recognition—Continued

Advance payments are recorded as deferred revenue until services are delivered or obligations are met. Deferred revenue represents the difference between the amounts invoiced and the amounts recognized as revenues.

Commission Expense

Commission expense relating to subscription orders is recognized ratably over the subscription term. Commission expense relating to nonsubscription orders is expensed in the period that the order is sold.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity or redemption feature of three months or less to be cash equivalents. The Company maintains cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured amounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Short Term Investments

Short term investments at December 31, 2007 and 2006 of $2,273,474 and $2,450,000, respectively, consist of time deposits at a bank that range from 6 months to one year in original maturity. As of December 31, 2007 and 2006, respectively, $1,556,998 and $500,000 of these amounts serve as collateral to secure a personal bank loan to the Company's principal stockholders (see Note E) and are included as a component of stockholders' deficit.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computer and office equipment	3-5 years
Office furniture	5 years
Computer software	3 years
Leasehold improvements	Lesser of related lease term or useful life

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Property and Equipment—Continued

Equipment held under capital lease obligations is classified as property and equipment and amortized using the straight-line method over the lesser of the useful life or the term of the lease. Amortization of equipment under capital lease obligations is included with depreciation expense for similar types of equipment.

Repairs and maintenance are charged to expense as incurred. When assets are retired or otherwise disposed of, the asset and related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income.

Stock-Based Compensation

On January 1, 2006, the Company adopted the provisions of SFAS No. 123R, *Share Based Payment,* ("FAS 123R") which requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation over the service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes valuation model, which is consistent with valuation techniques previously utilized for options in footnote disclosures required under SFAS No. 123. Such value is recognized as expense over the service period, net of estimated forfeitures, using the straight-line method. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from the Company's current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. Management considers many factors when estimating expected forfeitures, including employee class, historical experience, and expected future activity. Actual results, and future changes in estimates, may differ substantially from management's current estimates.

The Company adopted FAS 123R prospectively. Under this transition method, the Company's reported stock-based compensation expense includes expense related to awards granted subsequent to January 1, 2006, which is based on the grant date fair value estimated in accordance with the provisions of FAS 123R using the Black-Scholes valuation model.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company generally maintains its cash balances in accounts with nationally recognized institutions. Customers are granted credit on an unsecured basis. Management monitors the creditworthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

Income Taxes

Deferred taxes are provided utilizing the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amount of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Advertising Costs

The Company expenses advertising costs as incurred. For the years ended December 31, 2007 and 2006, total advertising costs including barter transactions were $963,204 and $955,911, respectively. Advertising costs related to barter transactions were $668,784 and $752,639, respectively, for the years ended December 31, 2007 and 2006.

Other Comprehensive Loss

All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as foreign currency translation adjustments, a component of accumulated other comprehensive loss, net within the stockholders' deficit section of the consolidated balance sheet.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash equivalents, trade receivables, accounts payable and accrued expenses, approximate their values due to the short maturities.

December 31, 2007 and 2006

NOTE C—PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2007 and 2006, consists of the following:

	2007	2006
Computer and office equipment	$ 1,613,421	$ 1,645,197
Office furniture	149,988	143,177
Computer software	685,124	627,936
Leasehold improvements	104,061	9,245
	2,552,594	2,425,555
Less accumulated depreciation	(1,954,300)	(1,737,496)
Total	$ 598,294	$ 688,059

NOTE D—STOCKHOLDERS' DEFICIT

Common Stock

The 1993 Stock Incentive Plan and the 2004 Stock Option Plan, as described below, provide for the repurchase of stock from former employees within 185 days from their effective termination date, or if later, the exercise date of the option, at the election of the Company. In 2007 and 2006, the Company repurchased a total of 280,625 and 127,500, respectively, outstanding shares of common stock from stockholders no longer involved with the Company. The per share price of the 2007 and 2006 purchases was $1.05 and $0.95 per share, respectively. The Board of Directors approved the stock repurchases. The Company repurchased the shares with the intention to hold the shares in treasury for future distribution. The shares are included in treasury stock.

Stock Option Plans

On October 27, 1993, the Company adopted the 1993 Stock Incentive Plan (the "Plan") to issue 2,600,000 authorized shares of common stock to attract, retain, and reward key individuals who have contributed to the growth of the Company. These individuals include all employees and directors. The Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals are awarded options pursuant to the Plan, and the terms and option exercise prices of the stock options. The Plan terminated in October 2003.

On January 15, 2004, the Company adopted the 2004 Stock Option Plan (the "2004 Plan") to issue 1,400,000 authorized shares of common stock to retain and reward key individuals who contribute to the success of the Company. These individuals include employees, consultants, or directors. The 2004 Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals receive awards under the 2004 Plan, and the terms and option exercise prices of stock options. The 2004 Plan terminates in January 2014.

NOTE D—STOCKHOLDERS' DEFICIT—Continued

Stock Option Plans—Continued

At December 31, 2007 and 2006, respectively, options to purchase 412,500 and 609,375 shares were outstanding under both the Plan and the 2004 Plan and 1,038,500 and 878,500 shares were available for future grants.

Each qualified and nonqualified incentive stock option granted pursuant to the Plan and the 2004 Plan has an exercise price equal to or less than the fair market value of the common stock at the date of the grant and a term ranging from five to ten years. The majority of options granted during 2007 and 2006 vest over four years.

The following table summarizes the activity of the Company's Plan:

	Number of Options Outstanding	Range of Exercise Prices		Weighted-Average Exercise Price
Balance at December 31, 2005	986,375	$0.10–$0.95	$	0.93
Granted	187,500	0.95		0.95
Exercised	(5,000)	0.10		0.10
Terminated	(559,500)	0.95		0.95
Balance at December 31, 2006	609,375	$0.10–$0.95	$	0.93
Granted	170,000	1.05		1.05
Exercised	(20,000)	0.10 to 0.95		0.31
Terminated	(346,875)	0.10 to 1.05		0.98
Balance at December 31, 2007	412,500	$0.10 to $1.05	$	0.96

NOTE D—STOCKHOLDERS' DEFICIT—Continued

The weighted-average fair value of options granted during 2007 and 2006 was $0.34 and $0.39, respectively. In 2006, with the prospective application of FAS 123R, the fair value of each option was estimated on the date of grant using the calculated value method. To estimate the option term, the Company used the temporary simplified method. For the risk-free interest rate, the Company uses a U.S. Treasury bond rate consistent with the estimated expected term of the option award. There is no active external or internal market for the Company's common shares. Thus, it was not possible to estimate the expected volatility of the Company's share price in estimating fair value of options granted. Accordingly, as a substitute for such volatility, the Company used the average historical volatility of several publicly-traded companies in similar industries to that of the Company. The following assumptions were used for grants issued during the years ended December 31:

	2007	2006
Volatility	33.3%	36.6%
Dividend yield	0.0%	0.0%
Average risk-free interest rate	4.49% – 4.90%	4.54% – 5.04%
Expected life of option	3.75 years	3.75 years

Options to purchase 219,875 and 236,375 shares of the Company's common stock were exercisable at December 31, 2007 and 2006, respectively, at a weighted-average per share exercise price of $0.95 per share for 2007 and $0.89 per share for 2006. The weighted-average remaining contractual life of options exercisable at December 31, 2007 and 2006, was 1.86 and 2.19 years, respectively.

The weighted-average remaining contractual life of options outstanding at December 31, 2007 and 2006, was 2.53 and 3.27 years, respectively.

The total intrinsic value of options exercised during 2007 and 2006 was $14,750 and $4,383, respectively. The Company recognized $14,469 and $2,701, respectively in compensation costs relating to options granted in 2007 and 2006 in accordance with SFAS No. 123R. As of December 31, 2007, there was approximately $18,000 of unrecognized compensation cost related to unvested stock options. That cost is expected to be recognized over a weighted average period of 3.01 years.

NOTE E— RELATED-PARTY TRANSACTIONS

An individual consultant used by the Company is also a member of the principal shareholder's immediate family as well as a shareholder. The Company recognized expenses relating to this individual of $14,400 and $50,650 in 2007 and 2006, respectively, for consulting services. These amounts are included in sales and marketing and general and administrative expenses. At December 31, 2007 and 2006, the Company owed this individual $14,400 and $-0- for services rendered during 2007 and 2006. These amounts are included within accrued expenses.

An individual from a consulting firm used by the Company for strategic planning also serves as a director for the Company. The Company paid $-0- and $31,212 to that firm for the years ended December 31, 2007 and 2006, respectively. At December 31, 2007 and 2006, the Company owed the consulting firm $0 for services rendered during 2007 and 2006.

The Company holds promissory notes due from its principal stockholder related to payments made by the Company on behalf of the stockholder's personal insurance policies. The balance of these notes was $142,253 as of December 31, 2007 and 2006. The notes were payable on November 30, 2006, and bore interest in the range of 1.50% to 3.58% per annum; on January 1, 2007, they were replaced with notes bearing interest at 4.58% per annum, and maturing on January 15, 2010. As of December 31, 2007 and 2006, no principal amounts had been paid. The notes were reclassified from the asset "due from related party" and included as a component of stockholders' deficit at December 31, 2006 following the extension of their term. Interest of $6,515 and $3,584 was received in 2007 and 2006, respectively. As the stated interest rates on the notes are below market rates, the Company calculated imputed interest and recorded a discount on the notes. In 2007, the Company recorded a discount in the amount of $13,401 relating to the January 15, 2010 notes and recognized $4,118 in imputed interest income. The discount is included in other long-term assets on the balance sheet. In 2006, the Company recognized $3,340 in imputed interest income relating to the November 30, 2006 notes.

Separate and apart from the life insurance policies described in the preceding paragraph, the Company was collaterally assigned the lesser of the cash surrender value or premiums paid by the Company, less amounts reimbursed by the principal stockholders, of a personal insurance policy for its principal stockholders. Payments were made by the Company and the economic value of such payments was reimbursed annually by the principal stockholders. The premiums paid, less amounts reimbursed by the principal stockholders, were $-0- and $211,980 as of December 31, 2007 and 2006, respectively. The policy was cancelled in January 2007, and the Company received proceeds of $211,980 as a result.

On May 11, 2006, the disinterested members of the Board of Directors unanimously approved the use of the Company cash deposits as collateral to secure a personal bank loan to the Company's principal stockholders. In accordance with this agreement, the Company shall pledge cash deposits up to $3,500,000 as security for the borrowing obligations of the principal stockholders to the bank. As a condition for this pledge by the Company, the principal stockholders in exchange pledged to the Company 1,800,000 shares of their stock in the Company, as security for their obligation to fully reimburse the Company in the event there is a call on the Company's pledge to the bank. As of December 31, 2007 and 2006, $1,556,998 and $500,000, respectively, was borrowed by the principal stockholders in connection with this arrangement. As such, $1,556,998 and $500,000 of these funds held in the Company's short term investments (see Note B) serve as collateral to secure this loan and are reflected as a component of stockholders' deficit at December 31, 2007 and 2006, respectively.

December 31, 2007 and 2006

NOTE F—INCOME TAXES

The components of the provision (benefit) for income taxes at December 31, 2007 and 2006, are as follows:

	2007	2006
Current		
Federal	$ 270	$ (5,099)
State	(1,331)	8,324
Total current	(1,061)	3,225
Deferred:		
Federal	(270)	(127,402)
State	—	(15,695)
Total deferred	(270)	(143,097)
Total	$ (1,331)	$ (139,872)

NOTE F—INCOME TAXES—Continued

At December 31, 2007, the Company had US net operating loss carryforwards ("NOLs") of $865,759 that will expire through 2027. The realization of the benefits of the NOLs is dependent on sufficient taxable income in future years. Lack of further earnings, a change in the ownership, or the application of the alternative minimum tax rules could adversely affect the Company's ability to utilize the NOLs. The Company's net deferred tax assets at December 31, 2007 and 2006, consist of the following:

	2007	2006
Deferred tax assets:		
Net operating loss carryforwards – domestic	$ 328,642	$ 210,463
Net operating loss carryforwards – foreign	—	113,296
Tax credits	19,562	19,292
Accrued vacation	11,782	52,631
Accrued bonuses	33,177	21,905
Allowance for doubtful accounts	90,680	90,676
Other accrued expenses	5,466	—
Deferred rent	(797)	43,536
Deferred revenue	103,856	69,478
Charitable contributions	6,531	—
Stock option expense	1,002	—
Depreciation and amortization	99,033	68,710
Total deferred tax assets	698,934	689,987
Deferred tax liabilities:		
Prepaid expenses	9,892	9,399
Deferred commission expense	324,314	250,909
State taxes	698	699
Total deferred tax liabilities	334,904	261,007
Net deferred tax assets	364,030	428,980
Valuation allowance	(196,272)	(261,492)
Net deferred tax assets	$ 167,758	$ 167,488

The Company has NOLs from its dormant UK subsidiary totaling $614,515. The asset relating to these NOLs is considered to be impaired as of December 31, 2007, due to the lack of any plans in the near term to resume operations with that subsidiary. Accordingly, "Net operating loss carryforwards – foreign" has been written down to zero on the Company's balance sheet, as reflected in the table above.

NOTE F—INCOME TAXES—Continued

Deferred tax assets are included in other assets on the consolidated balance sheet. A valuation allowance of $196,272 and $261,492 at December 31, 2007 and 2006, respectively, has been recorded to adjust the carrying value of the net deferred tax asset to the amount that the Company is more likely than not to realize in future years, based on management estimates.

A reconciliation of the statutory federal and state income taxes and the effective income tax rate at December 31, 2007 and 2006, is as follows:

	2007	2006
Federal income tax liability (benefit) at statutory rate	(34.00)%	34.00%
Permanent adjustments	11.98%	4.71%
State income tax liability (benefit) net of federal liability (benefit)	(3.96)%	3.99%
Net change in valuation allowance	25.25%	(65.52)%
Effective tax rate	(0.73)%	(22.82)%

NOTE G—COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space and certain equipment under operating lease agreements.

In January 2005, the Company entered into an agreement to sublease office space in Reston, Virginia, to serve as the corporate headquarters. The lease commenced in February 2005, and it expired in December 2007. The lease contained escalation clauses, and was subject to the terms and provisions of the lessor's original lease with the landlord.

Rent expense related to these leases were $797,261 and $776,155 for the years ended December 31, 2007 and 2006, respectively.

In October 2007, the company entered into an agreement to sublease office space in Reston, Virginia to serve as the new corporate headquarters. The lease commences in January 2008, contains escalation clauses, and is subject to the terms and provisions of the lessor's original lease with the landlord.

NOTE G—COMMITMENTS AND CONTINGENCIES—Continued

Future minimum lease payments under capital and noncancelable operating leases as of December 31, 2007, are as follows:

	Capital	Operating
2008	$ 15,565	$ 559,417
2009	13,091	1,283,774
2010	2,182	1,335,357
2011	—	1,391,153
2012	—	1,445,826
Thereafter	—	4,000,276
Total future minimum payments	$ 30,838	$ 10,015,803
Less amount representing interest	3,252	
Present value of minimum lease payments	27,586	
Less current portion of capital lease obligations	13,313	
Long-term portion	$ 14,273	

Assets recorded under capital lease obligations aggregated $73,058 and $39,735 as of December 31, 2007 and 2006, respectively. Accumulated depreciation of assets under capital lease obligations totaled $47,709 and $24,282 at December 31, 2007 and 2006, respectively. Depreciation of assets under capital lease is included in depreciation expense.

NOTE H—EMPLOYEE BENEFIT PLAN

Eligible Company employees can elect to participate in a defined contribution 401(k) retirement plan. The retirement plan allows employees to make pretax contributions to the plan subject to a statutorily prescribed annual limit. Each participant is fully vested in his or her contributions and the related investment earnings. The Company may make contributions to the retirement plan, including matching contributions, at its discretion. During the years ended December 31, 2007 and 2006, the Company recognized expense related to matching contributions of $187,105 and $185,361, respectively.

Grant Thornton

INPUT, Inc.

Communications Related to the 2008 Audit

July 16, 2009

This communication is intended solely for the information and use of management and those charged with governance and is not intended to be and should not be used by anyone other than these specified parties.

Our responsibilities

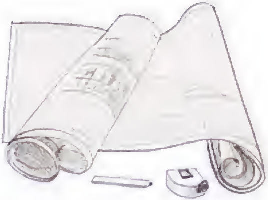
- Perform an audit
  - An audit provides reasonable, not absolute assurance
- Form and express an opinion about whether the financial statements prepared by management, with your oversight:
  - Are materially correct
  - Are fairly presented
  - Conform with generally accepted accounting principles

Management's responsibilities

- Preparing the financial statements
- Establishing and maintaining effective internal control over financial reporting
- Providing us with written representations

We approach your audit by…

- Understanding your business and the environment in which you operate
- Using that knowledge and understanding to analyze your financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas



Materiality

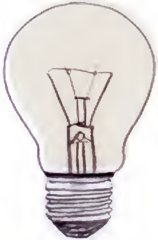
- Magnitude of an omission or misstatement that will likely influence a reasonable person's judgment
- Based on relevant financial statement benchmark
  - We believe pretax consolidated net earnings is the appropriate benchmark for your company
- Financial statement items > materiality are in scope
- Other areas < materiality may be in scope if qualitative factors are present (e.g., related party transactions, fraud risk)

Audit timing

- Planning Procedures – March 2009
- Fieldwork – May 2009 – June 2009
- Final report – July 2009

Areas of audit focus

- Subscription Revenue, including completeness of deferred revenue
- Deferred Commissions
- Equity Transactions, including stock options



Audit adjustments

- We proposed one audit adjustment during the 2008 year-end fieldwork. Such adjustment was a reclassification between common stock and additional paid-in capital to show the retroactive effect of the Company re-incorporating in Delaware, including changing the par value of common stock from $0.01 to $0.001 per share. This retroactive effect is required by SEC Staff Accounting Bullentin (SAB) No. 1.

Uncorrected misstatements

- There were no uncorrected misstatements related to the fiscal year 2008 audit.

Accounting policies

- The financial statements have been prepared in accordance with generally accepted accounting principles. The accounting policies described in Note B of the financial statements have been applied consistently.

Accounting estimates

- The financial statements include certain accounting estimates:
  - Accounts receivable allowance
  - Accrued expenses
  - Future obligations assumed
  - Fair value of the Company's stock and stock options
- Management makes estimates based on the best knowledge available and historical trends
- We have audited all significant accounting estimates
- The financial statement footnotes include the appropriate disclosures regarding estimates and uncertainty

Significant difficulties encountered during the audit

- There were no significant difficulties encountered during the audit.

• Valuation - get involved early in process - working with - Resnick

Disagreements with management

- There were no disagreements with management during the audit.

Going concern uncertainties

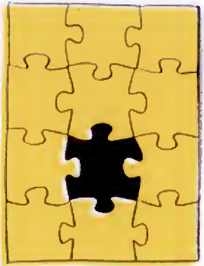
- The audit team did not identify any evidence that would cast substantial doubt about the Company's ability to continue as a going concern

Consultation by management with other accountants

- Management did not consult with any other accountants regarding accounting or auditing matters during the period, except for the services provided by Reznick Group as it relates to the valuation of the Company's common stock.

Deficiencies in internal control over financial reporting

- Our audit procedures, including gaining an understanding of the Company's control environment, did not identify any material weaknesses or significant deficiencies.



Items to Consider Prospectively

- FIN 48
  - In 2008 the Company elected to defer the adoption of FIN 48 in accordance with FSP FIN 48-2 as discussed in Note B (Income Tax Section).
  - It is the firm's understanding that such deferral will not be upheld in fiscal 2009, therefore management should consider starting the process of adopting FIN 48, including gathering documentation and discussing planning procedures with Grant Thornton tax department.

Questions?

INPUT – A NEVADA CORPORATION

BOARD OF DIRECTORS

JUNE 2008

Peter A. Cunningham	Chairman of the Board, Director
Occupation:	Chairman INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	P.O. Box 30998 725 Britannia Drive Grand Cayman KY1-1204 Cayman Islands
E-Mail:	pac@input.com
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941

Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	P.O. Box 30998 725 Britannia Drive Grand Cayman KY1-1204 Cayman Islands
E-Mail:	patc@input.com
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

Timothy P. Dowd	Director, INPUT (Elected 5/12/08)
Occupation:	President and CEO INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	3871 Farrcroft Drive Fairfax, VA 22030
E-Mail:	tdowd@input.com
Telephone:	(703) 219-9959
Birth Date:	March 18, 1963

Thomas L. Hewitt	Director, INPUT (Re-Elected 9/1/03) (Prior Election 12/18/01-08/16/02)
Occupation:	CEO of Global Governments, Inc
Address:	139 Commodore Drive Jupiter, FL 33477
E-Mail:	tom@tomhewitt.com
Telephone:	(703) 228-0066 (VA) (571) 232-8859 (Cell)
Birth Date:	September 6, 1938

Maryann Hirsch	Director, INPUT (Elected 1/10/08)
Occupation:	President KNOWLEDGE CONSULTING GROUP, INC. 11710 Plaza America Drive, Suite 520 Reston, VA. 20190
E-Mail:	Maryann.Hirsch@KnowledgeCG.com
Telephone:	(703) 467-2000
Address:	20366 Falls Way Terrace Sterling, VA 20165
Telephone:	(703) 404-2928
Birth Date:	July 23, 1963

Jed Laird	Director, INPUT (Elected 7/13/05)
Occupation:	Managing Director PETSKY PRUNIER LLC 40 Wall Street New York, NY 10005
E-Mail:	jlaird@petskyprunier.com
Telephone:	(212) 842-7120
Address:	91 Roxiticus Road Far Hills, NJ 07931
Telephone:	(908) 719-2275
Birth Date:	June 30, 1945

Rachel J. Parrinello	Director, INPUT (Elected 4/10/08)
Occupation:	Director THE ALEXANDER GROUP, INC. 88 Kearny Street, Suite 1300 San Francisco, CA 94108
E-Mail:	rjcrachel@yahoo.com
Telephone:	(415) 391-5664 (Direct)
Address:	26060 Kriste Lane

	Los Altos Hills, CA 94022
Telephone:	(650) 941-2160, Cell (514) 601-7224
Birth Date:	January 31, 1969

INPUT – A NEVADA CORPORATION

COMPANY OFFICERS

NOVEMBER 2008

Peter A. Cunningham	
Occupation:	Chairman of the Board, Director INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	P.O. Box 30998 725 Britannia Drive Grand Cayman KY1-1204 Cayman Islands
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941

Patricia Cunningham	
Occupation:	Director and Corporate Secretary INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	P.O. Box 30998 725 Britannia Drive Grand Cayman KY1-1204 Cayman Islands
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

Timothy P. Dowd	
Occupation:	President & CEO (Hired 5/12/08) Director (Elected 5/12/08) INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	3871 Farrcroft Drive Fairfax, VA 22030
Telephone:	(703) 219-9959
Birth Date:	March 18, 1963

Kevin Plexico	
Occupation:	Executive Vice President, Operations (Elected 7/06) (Exec. VP: Elected 8/00), (VP: Elected 1/98), (Director: Elected 11/99 – Resigned 7/05), (Hired 12/07/92) INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	44018 Cheltenham Circle Ashburn, VA 20147
Telephone:	(703) 858-0565
Birth Date:	May 8, 1970

Mary Beth Cockerham	
Occupation:	Senior Vice President, Sales (11/16/07, BOD Ratified 1/10/08) (VP, Elected 04/19/07), (Hired 12/04/06) INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	1262 Dartmouth Court Alexandria, VA 22314
Telephone:	(703) 751-8842
Birth Date:	January 2, 1960

Brian Haney	
Occupation:	Senior Vice President, Member Services (11/16/07, BOD Ratified 1/10/08) (VP, Elected 10/17/06), (Hired 07/29/02) INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	14616 Stream Pond Dr Centreville, VA 20120
Telephone:	(703) 817-9632, Cell: (703) 599-7668
Birth Date:	July 4, 1973

NON-EXECUTIVE VICE PRESIDENTS (NOT OFFICERS OF THE COMPANY)

(Refer to Page 2, April 20th, 2006 Minutes of the Board of Directors)

Michael M. Rombach:	Senior Vice President, Marketing (Elected 11/10/08) (Hired 9/16/08) INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	606 Vista Grande Court Leesburg, VA 20175
Telephone:	(703)
Birth Date:	

Schalene Dagutis	
Occupation:	Vice President, S&L Information Services (Elected 10/17/06), (Hired 07/06/04) INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	11719 Flemish Mill Court Oakton, VA 22124
Telephone:	(703) 264-7766
Birth Date:	July 9, 1958

Kevin Gates	
Occupation:	Vice President, Finance and Administration (Elected 4/10/08), (Hired 11/29/04) INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	43483 Millwright Terrace Leesburg, VA 20176
Telephone:	(571) 333-5998
Birth Date:	December 8, 1970

7/22/2009

INPUT - ANNUAL STOCKHOLDER'S MEETING
2008 Notice Distr

	NAME	Address
	STOCKHOLDERS	
1	Cayman E-Business Ltd.	C/O Royal Bank of Canada PO Box 1586 Grand Cayman KY1-1110 Cayman Islands
2	William H. Bryant	24 Sandstone Portola Valley, CA 94028 - By DHL
3	Thomas Hewitt (Director)	Home Address
4	Myra Sue Grothoff	C/O INPUT
5	Scott P. Massey	C/O INPUT
6	William H. Young	C/O INPUT
7	Kevin M. Plexico	C/O INPUT
8	Andrew Y. Sung	C/O INPUT
9	Deepak Bhat	C/O INPUT
10	Suzanne Masini (Haleen)	C/O INPUT
11	Barbara Austin	C/O INPUT
12	Todd Rice	C/O INPUT
13	Alexander Turner	C/O INPUT
14	Brian Haney	C/O INPUT
15	Paul Treszczotko	C/O INPUT

Grant Thornton

Consolidated Financial Statements and Report of Independent Certified Public Accountants

INPUT, Inc.

December 31, 2008 and 2007

INPUT, Inc.

Contents

Grant Thornton

Audit • Tax • Advisory

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McLean, VA 22102-7838

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Report of Independent Certified Public Accountants

The Board of Directors
INPUT, Inc.

We have audited the accompanying consolidated balance sheets of INPUT, Inc. (a Delaware Corporation) as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of INPUT, Inc. as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

McLean, Virginia
July 10, 2009

INPUT, Inc.

Consolidated Balance Sheets

December 31,	2008	2007
Assets		
Current Assets		
Cash and cash equivalents	$ 4,100,257	$ 1,550,330
Short-term investments	—	716,476
Accounts receivable, net of allowance for doubtful accounts of $211,220 and $240,899, respectively	3,128,060	3,458,406
Prepaid expenses and other current assets	1,283,756	1,302,064
Total current assets	8,512,073	7,027,276
Property and equipment, net	849,995	598,294
Other assets	328,683	338,077
Total Assets	$ 9,690,751	$ 7,963,647
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	$ 174,560	$ 218,988
Accrued expenses	1,659,287	1,444,181
Capital lease obligation, current portion	29,894	13,313
Deferred revenue, current portion	10,232,095	9,687,189
Total current liabilities	12,095,836	11,363,671
Other Liabilities		
Deferred revenue, noncurrent portion	327,034	272,903
Capital lease obligation, noncurrent portion	46,598	14,273
Deferred rent	789,740	—
Total Liabilities	13,259,208	11,650,847
Commitments and Contingencies (Note G)	—	—
Stockholders' Deficit:		
Common stock, $0.001 par value – authorized, 20,000,000 shares; issued and outstanding, 8,866,010 and 8,866,010 shares at December 31, 2008 and 2007, respectively	8,866	8,866
Additional paid-in capital	180,728	82,087
Treasury stock, 433,500 and 398,500 shares, respectively – at cost	(445,388)	(406,638)
Accumulated deficit	(1,326,981)	(1,661,754)
Accumulated other comprehensive loss	(9,818)	(10,510)
	(1,592,593)	(1,987,949)
Promissory notes receivable from principal stockholders	(142,253)	(142,253)
Short-term investment – collateral for personal loan of principal stockholders	(1,833,611)	(1,556,998)
Total stockholders' deficit	(3,568,457)	(3,687,200)
Total Liabilities and Stockholders' Deficit	$ 9,690,751	$ 7,963,647

The accompanying notes are an integral part of these statements.

INPUT, Inc.

Consolidated Statements of Operations

For the years ended December 31,	2008	2007
Revenue	$ 23,188,446	$ 22,847,853
Operating Expenses		
Cost of revenues	10,836,859	10,662,122
Sales and marketing	7,028,923	7,743,623
Research and development	1,575,243	1,702,812
General and administrative	3,201,661	2,721,098
Depreciation and amortization	398,562	445,406
Total operating expenses	23,041,248	23,275,061
Income (Loss) from operations	147,198	(427,208)
Other Income	154,570	244,043
Income (Loss) before Income Taxes	301,768	(183,165)
Income Tax Benefit	33,005	1,331
Net Income (Loss)	$ 334,773	$ (181,834)

The accompanying notes are an integral part of these statements.

INPUT, Inc.

Consolidated Statements of Stockholders' Deficit

December 31, 2008 and 2007

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Loss	Accumulated Deficit	Transactions with or for the Benefit of Principal Stockholders	Total Stockholders' Deficit
Balance at January 1, 2007 (see note D)	8,866,010	$ 8,866	$ 67,618	137,875	$ (130,981)	$ (10,525)	$ (1,453,769)	$ (642,253)	$ (2,161,044)
Discount on promissory notes receivable	—	—	—	—	—	—	(13,401)	—	(13,401)
Short-term investment – pledged as collateral for personal loan of principal stockholders	—	—	—	—	—	—	—	(1,056,998)	(1,056,998)
Repurchase of common stock	—	—	—	280,625	(294,657)	—	—	—	(294,657)
Stock-based compensation expense	—	—	14,469	—	—	—	—	—	14,469
Issuance of common stock upon exercise of options	—	—	—	(20,000)	19,000	—	(12,750)	—	6,250
Components of comprehensive income (loss):									
Currency translation adjustments	—	—	—	—	—	15	—	—	15
Net loss	—	—	—	—	—	—	(181,834)	—	(181,834)
Comprehensive income (loss)	—	—	—	—	—	15	(181,834)	—	(181,819)
Balance at December 31, 2007	8,866,010	8,866	82,087	398,500	(406,638)	(10,510)	(1,661,754)	(1,699,251)	(3,687,200)
Short-term investment – pledged as collateral for personal loan of principal stockholders	—	—	—	—	—	—	—	(276,613)	(276,613)
Repurchase of common stock	—	—	—	55,000	(57,750)	—	—	—	(57,750)
Stock-based compensation expense	—	—	98,641	—	—	—	—	—	98,641
Issuance of common stock upon exercise of options	—	—	—	(20,000)	19,000	—	—	—	19,000
Components of comprehensive income (loss):									
Currency translation adjustments	—	—	—	—	—	692	—	—	692
Net income	—	—	—	—	—	—	334,773	—	334,773
Comprehensive income	—	—	—	—	—	692	334,773	—	335,465
Balance at December 31, 2008	8,866,010	$ 8,866	$ 180,728	433,500	$ (445,388)	$ (9,818)	$ (1,326,981)	$ (1,975,864)	$ (3,568,457)

The accompanying notes are an integral part of these statements.

INPUT, Inc.

Consolidated Statements of Cash Flows

For the years ended December 31,		2008		2007
Cash Flows from Operating Activities				
Net income (loss)	$	334,773	$	(181,834)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization		398,562		445,406
Provision for doubtful accounts and reserves		(29,124)		(11,834)
Gain on disposal of fixed assets		(40,277)		(2,828)
Barter activity, net		—		(4,000)
Deferred income tax benefit		(46,207)		(270)
Stock-based compensation expense		98,641		14,469
Amortization of discount on related-party notes receivable		(4,458)		(4,118)
Changes in operating assets and liabilities:				
Accounts receivable		359,470		434,849
Prepaid expenses and other current assets		41,781		(152,103)
Other assets		(9,455)		(56,834)
Accounts payable and accrued expenses		204,527		5,661
Deferred revenue		591,537		(660,975)
Deferred rent		789,740		—
Net Cash Provided by (Used in) Operating Activities		2,689,510		(174,411)
Net Cash Provided by (Used in) Investing Activities				
Purchase of property and equipment		(561,198)		(307,539)
Proceeds from sale of property and equipment		45,035		8,425
Purchase of short-term investments		(2,070,731)		(4,315,986)
Proceeds from sale of short-term investments		2,510,594		4,492,512
Proceeds from life insurance policy		—		211,980
Net Cash (Used in) Provided by Investing Activities		(76,300)		89,392
Cash Flows Provided by (Used in) Financing Activities				
Repurchase of common stock		(57,750)		(294,657)
Proceeds from exercise of stock options		19,000		6,250
Principal payments on capital lease obligations		(24,387)		(22,264)
Net Cash Used in Financing Activities		(63,137)		(310,671)
Effect of Exchange Rates on Cash		(146)		88
Net Decrease in Cash and Cash Equivalents		2,549,927		(395,602)
Cash and Cash Equivalents, beginning of year		1,550,330		1,945,932
Cash and Cash Equivalents, end of year	$	4,100,257	$	1,550,330

The accompanying notes are an integral part of these statements.

INPUT, Inc.

Consolidated Statements of Cash Flows–Continued

For the years ended December 31,	2008	2007
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 5,910	$ 3,490
Cash paid during the year for income taxes	1,810	5,393
Noncash Disclosure of Investing and Financing Activities		
Imputed interest on related-party notes receivable	—	13,401
Equipment obtained under capital lease	92,843	33,323
Termination of capital lease	(19,909)	—
Accrued fixed asset additions	20,888	20,376
Transfer of short-term investment pledged as collateral for personal loan of principal stockholders from short-term investments to stockholders' deficit	276,613	1,056,998

The accompanying notes are an integral part of these statements.

NOTE A—ORGANIZATION

INPUT ("INPUT" or the "Company") helps companies develop federal, state, and local government business and helps public sector organizations achieve their objectives. The Company has three primary lines of business to meet the needs of its customers: information services, software solutions, and events. In December 2007, the company terminated its consulting line of business. Consulting revenues were $21,125 and $671,956 for the years ended 2008 and 2007, respectively.

The Company was initially incorporated in December 1976 under the laws of the state of California. The common stock of the California corporation was no par stock. In August 2000, the Company created an entity incorporated in the state of Nevada. In January 2001, the California corporation merged into the Nevada corporation, with the Nevada corporation being the surviving entity. The common stock of the Nevada corporation has a par value of $0.01. In January 2009, the Nevada corporation reincorporated in the state of Delaware under the name INPUT, Inc. (see Note D). The accompanying consolidated financial statements include the accounts of INPUT, Inc., a Delaware corporation; INPUT Limited, a wholly owned subsidiary operating in the United Kingdom; INPUT SARL, a dormant wholly owned French subsidiary; and INPUT, GmbH, a dormant wholly owned German subsidiary.

The Company's operations are subject to certain risks and uncertainties that could affect future operations and financial performance. Risks to which the Company is exposed include uncertainties relating to product development; rapidly changing technology; current and potential competitors with greater financial, technological, production, and marketing resources; and dependence on key management personnel.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenue Recognition

The Company's revenues consist of subscription revenues, services revenues, and software revenues. The Company recognizes revenue in accordance with Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements,* as amended by SAB No. 104, *Revenue Recognition,* Emerging Issues Task Force ("EITF") Issue No. 00-3, *Application of AICPA Statement of Position 97-2 to Arrangements that Include the Right to Use Software Stored on Another Entity's Hardware,* and EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables.*

Subscription-based revenues are revenues derived from arrangements in which the Company's clients subscribe to hosted information products and services. Revenues are recognized ratably over the contract term, typically one year. Multiple subscription products are sold on single contracts and revenues are recognized at relative fair value for each component.

Services revenues are derived from the delivery of market studies and surveys, market assessments and forecasts, and due diligence and competitive benchmark studies. Revenues are recognized relative to the Company's proportionate performance based on labor hours incurred to date compared to total estimated labor hours, or other appropriate input or output measure, or the completed contract method, depending on the terms of the contract.

Software revenues are derived from arrangements in which the Company's clients license proprietary software developed and hosted by the Company. Software licenses are sold with implementation, configuration, maintenance, and support services. The Company has not sold these services on a standalone basis and, therefore, has not determined the fair value of those services. Accordingly, software license revenue is recognized ratably over the term of the arrangement after implementation and configuration services are completed.

Events revenues are derived from breakfast events, conferences, and seminars. Revenues are recognized when the event is completed.

Barter transactions represent the exchange of the Company's subscription and other services for merchandise or services. These transactions are accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 153 ("SFAS No. 153"), *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29.* The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The amendment also eliminates the narrow exception for nonmonetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. At inception, the Company records an asset and a liability equal to the fair value of the services exchanged. Revenue is recorded at the fair value of the services relinquished. Expense is recorded at the fair value of the merchandise or services received. For subscriptions, barter revenue is recognized over the term of the agreement; other barter revenue is recognized as the services are rendered. Barter expense is recognized when the service is provided or when the merchandise is received. Barter revenue for the years ended December 31, 2008 and 2007, was $379,464 and $672,784, respectively, and is included in revenue. Barter expense for the years ended December 31, 2008 and 2007, was $379,464 and $668,784, respectively, and is included primarily in sales and marketing expense.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenue Recognition—Continued

Advance payments are recorded as deferred revenue until services are delivered or obligations are met. Deferred revenue represents the difference between the amounts invoiced and the amounts recognized as revenues.

Accounts Receivable

The Company's accounts receivable balances relate primarily to subscription fees, services fees, and software product fees charged but not collected. The Company reviews its receivables regularly to determine if there are any potential uncollectible accounts. The Company records allowances for bad debt as a reduction to accounts receivable and an increase to bad debt expense. These allowances are estimated and accrued on a monthly basis.

Commission Expense

Commission expense relating to subscription orders is recognized ratably over the subscription term. Commission expense relating to nonsubscription orders is expensed in the period that the order is sold.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity or redemption feature of three months or less to be cash equivalents. The Company maintains cash and cash equivalents in bank deposit and money market accounts, which, at times, may exceed federally insured amounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Short Term Investments

Short term investments at December 31, 2008 and 2007 of $1,833,611 and $2,273,474, respectively, consist of time deposits at a bank that range from 9 months to one year in original maturity. As of December 31, 2008 and 2007, respectively, $1,833,611 and $1,556,998 of these amounts serve as collateral to secure a personal bank loan to the Company's principal stockholders (see Note E) and are included as a component of stockholders' deficit.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computer and office equipment	3-5 years
Office furniture	5 years
Computer software	3 years
Leasehold improvements	Lesser of related lease term or useful life

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Property and Equipment—Continued

Equipment held under capital lease obligations is classified as property and equipment and amortized using the straight-line method over the lesser of the useful life or the term of the lease. Amortization of equipment under capital lease obligations is included with depreciation expense for similar types of equipment.

Repairs and maintenance are charged to expense as incurred. When assets are retired or otherwise disposed of, the asset and related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income.

Stock-Based Compensation

The Company accounts for its stock-based compensation arrangements in accordance with SFAS No. 123R, *Share Based Payment,* ("FAS 123R") which requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation over the requisite service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes valuation model. This value for service based awards is recognized as expense over the requisite service period, net of estimated forfeitures, using the straight-line method. The Company recognizes compensation cost associated with performance based awards when management believes it is probable that such performance conditions will be achieved. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from the Company's current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. Management considers many factors when estimating expected forfeitures, including employee class, historical experience, and expected future activity. Actual results, and future changes in estimates, may differ substantially from management's current estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company generally maintains its cash balances in accounts with nationally recognized institutions. Customers are granted credit on an unsecured basis. Management monitors the creditworthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

Income Taxes

Deferred taxes are provided utilizing the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amount of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises.* FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2008. Accordingly, the Company has deferred the adoption of FIN 48. The Company evaluates its uncertain tax positions using the provisions of FASB Statement of Financial Accounting Standards No. 5 (SFAS 5), *Accounting for Contingencies.* Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Advertising Costs

The Company expenses advertising costs as incurred. For the years ended December 31, 2008 and 2007, total advertising costs, including barter transactions, were $688,363 and $963,204, respectively. Advertising costs related to barter transactions were $379,464 and $668,784, respectively, for the years ended December 31, 2008 and 2007.

Other Comprehensive Loss

All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as foreign currency translation adjustments, a component of accumulated other comprehensive loss, net within the stockholders' deficit section of the consolidated balance sheet.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash equivalents, trade receivables, accounts payable and accrued expenses, approximate their fair values due to the short maturities.

NOTE C—PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2008 and 2007, consists of the following:

	2008	2007
Computer and office equipment	$ 1,832,765	$ 1,613,421
Office furniture	200,364	149,988
Computer software	744,495	685,124
Leasehold improvements	186,505	104,061
	2,964,129	2,552,594
Less accumulated depreciation	(2,114,134)	(1,954,300)
Total	$ 849,995	$ 598,294

Depreciation and amortization expense related to property and equipment was $398,562 and $445,406 for the years ended December 31, 2008 and 2007, respectively.

NOTE D—STOCKHOLDERS' DEFICIT

Common Stock

The 1993 Stock Incentive Plan and the 2004 Stock Option Plan, as described below, provide for the repurchase of stock from former employees within 185 days from their effective termination date, or if later, the exercise date of the option, at the election of the Company. In 2008 and 2007, the Company repurchased a total of 55,000 and 280,625, respectively, outstanding shares of common stock from stockholders no longer involved with the Company. The per share price of the 2008 and 2007 purchases was $1.05 per share, the estimated fair value of the Company's common stock at the time of repurchase. The Board of Directors approved the stock repurchases. The Company repurchased the shares with the intention to hold the shares in treasury for future distribution. The shares are included in treasury stock.

Change in Par Value

On January 1, 2009, the Company re-incorporated in Delaware. Pursuant to the Amended and Restated Articles of Incorporation the Company's par value for common stock, previously $0.01, was changed to $0.001. In accordance with Staff Accounting Bulletin ("SAB") No. 1, *Change in Capital Structure,* the Company has given retroactive effect to this change in the accompanying financial statements. This resulted in a reclassification between common stock and additional paid-in capital.

NOTE D—STOCKHOLDERS' DEFICIT—Continued

Stock Option Plans

On October 27, 1993, the Company adopted the 1993 Stock Incentive Plan (the "Plan") to issue 2,600,000 authorized shares of common stock to attract, retain, and reward key individuals who have contributed to the growth of the Company. These individuals include all employees and directors. The Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals are awarded options pursuant to the Plan, and the terms and exercise prices of the stock options. The Plan terminated in October 2003.

On January 15, 2004, the Company adopted the 2004 Stock Option Plan (the "2004 Plan") to issue 1,400,000 authorized shares of common stock. In 2008, the Board of Directors approved increasing the number of authorized shares to 2,600,000. The purpose of the 2004 Plan is to attract, retain and reward key individuals who contribute to the success of the Company. These individuals include employees, consultants and directors. The 2004 Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals receive awards under the 2004 Plan, and the terms and exercise prices of the stock options. The 2004 Plan terminates in January 2014.

At December 31, 2008 and 2007, respectively, options to purchase 1,822,000 and 412,500 shares were outstanding under both the Plan and the 2004 Plan and 772,625 and 1,038,500 shares were available for future grants. Included in the options outstanding at December 31, 2008 were 900,000 options issued to one of the Company's executives that include a performance condition.

Each qualified and nonqualified incentive stock option granted pursuant to the Plan and the 2004 Plan has an exercise price equal to or less than the fair market value of the common stock at the date of the grant and a term ranging from five to ten years. The majority of options granted during 2008 and 2007 vest over four years. Options that include a performance condition recognize compensation cost at the date management believes such condition will be achieved. To date, management has not recognized compensation expense on these options, as it is not probable that the performance condition will be achieved. At the time the achievement of the performance condition becomes probable, the Company will recognize compensation expense for the period from the grant date.

The following table summarizes the activity of the Company's Plan:

	Number of Options Outstanding	Range of Exercise Prices	Weighted-Average Exercise Price
Balance at January 1, 2007	609,375	$0.10–$0.95	$ 0.93
Granted	170,000	1.05	1.05
Exercised	(20,000)	0.10 to 0.95	0.31
Terminated	(346,875)	0.10 to 1.05	0.98
Balance at December 31, 2007	412,500	$0.10 to $1.05	$ 0.96
Granted	1,505,500	1.05	1.05
Exercised	(20,000)	0.95	0.95
Terminated	(76,000)	0.95 to 1.05	1.00
Balance at December 31, 2008	1,822,000	$0.95 to $1.05	$ 1.03

NOTE D—STOCKHOLDERS' DEFICIT—Continued

The weighted-average fair value of options granted during 2008 and 2007 was $0.35 and $0.34, respectively. To estimate the option term, the Company used the temporary simplified method. For the risk-free interest rate, the Company uses a U.S. Treasury bond rate consistent with the estimated expected term of the option award. There is no active external or internal market for the Company's common shares. Thus, it was not possible to estimate the expected volatility of the Company's share price in estimating fair value of options granted. Accordingly, as a substitute for such volatility, the Company used the average historical volatility of several publicly-traded companies in similar industries to that of the Company. The following assumptions were used for grants issued during the years ended December 31:

	2008	2007
Volatility	42.2%	33.3%
Dividend yield	0.0%	0.0%
Average risk-free interest rate	1.20% – 2.97%	4.49% – 4.90%
Expected life of option	3.75 years	3.75 years

Options to purchase 254,875 and 219,875 shares of the Company's common stock were exercisable at December 31, 2008 and 2007, respectively, at a weighted-average per share exercise price of $0.96 per share for 2008 and $0.95 per share for 2007. The weighted-average remaining contractual life of options exercisable at December 31, 2008 and 2007, was 1.75 and 1.86 years, respectively.

The weighted-average remaining contractual life of options outstanding at December 31, 2008 and 2007, was 3.88 and 2.53 years, respectively.

The Company recognized $98,641 and $14,469, respectively, in compensation costs relating to options in 2008 and 2007 in accordance with SFAS No. 123R. As of December 31, 2008, there was approximately $121,000 of unrecognized compensation cost related to unvested stock options. That cost is expected to be recognized over a weighted average period of 2.98 years.

NOTE E— RELATED-PARTY TRANSACTIONS

An individual consultant used by the Company is also a member of the principal shareholder's immediate family, a shareholder, and a director. During 2008 the company received no services from this individual. During 2007, the Company recognized expenses related to consulting services provided by this individual of $14,400. This amount is included in sales and marketing expenses. At December 31, 2008 and 2007, the Company owed this individual $-0- and $14,400 for services rendered during 2008 and 2007. These amounts are included within accrued expenses.

The Company holds promissory notes due from its principal stockholders related to payments made by the Company on behalf of the stockholders' personal insurance policies. The balance of these notes was $142,253 as of December 31, 2008 and 2007. The notes were payable on November 30, 2006, and bore interest in the range of 1.50% to 3.58% per annum; on January 1, 2007, they were replaced with notes bearing interest at 4.58% per annum, and maturing on January 15, 2010. As of December 31, 2008 and 2007, no principal amounts had been paid. The notes are included as a component of stockholders' deficit. Interest of $-0- and $6,515 was received in 2008 and 2007, respectively. As the stated interest rates on the notes are below market rates, the Company calculated imputed interest and recorded a discount on the notes. In 2007, the Company recorded a discount in the amount of $13,401 relating to the January 15, 2010 notes. The discount is included in other long-term assets on the balance sheet. In 2008 and 2007, the Company recognized $4,458 and $4,118 in imputed interest income, respectively.

Separate and apart from the life insurance policies described in the preceding paragraph, the Company was collaterally assigned the lesser of the cash surrender value or premiums paid by the Company, less amounts reimbursed by the principal stockholders, of a personal insurance policy for its principal stockholders. Payments were made by the Company and the economic value of such payments was reimbursed annually by the principal stockholders. The premiums paid, less amounts reimbursed by the principal stockholders, were $-0- as of December 31, 2008 and 2007. The policy was cancelled in January 2007, and the Company received proceeds of $211,980 as a result.

On May 11, 2006, the disinterested members of the Board of Directors unanimously approved the use of the Company cash deposits as collateral to secure a personal bank loan to the Company's principal stockholders. In accordance with this agreement, the Company shall pledge cash deposits up to $3,500,000 as security for the borrowing obligations of the principal stockholders to the bank. As a condition for this pledge by the Company, the principal stockholders in exchange pledged to the Company 1,800,000 shares of their stock in the Company, as security for their obligation to fully reimburse the Company in the event there is a call on the Company's pledge to the bank. As of December 31, 2008 and 2007, $1,833,611 and $1,556,998, respectively, was borrowed by the principal stockholders in connection with this arrangement. As such, $1,833,611 and $1,556,998 of these funds held in the Company's short term investments (see Note B) serve as collateral to secure this loan and are reflected as a component of stockholders' deficit at December 31, 2008 and 2007, respectively.

NOTE F—INCOME TAXES

The components of the benefit for income taxes at December 31, 2008 and 2007, are as follows:

	2008	2007
Current		
Federal	$ 10,700	$ 270
State	2,502	(1,331)
Total current	13,202	(1,061)
Deferred:		
Federal	(42,738)	(270)
State	(3,469)	—
Total deferred	(46,207)	(270)
Total	$ (33,005)	$ (1,331)

NOTE F—INCOME TAXES—Continued

At December 31, 2008, the Company had US net operating loss carryforwards ("NOLs") of $345,861 that will expire through 2027. The realization of the benefits of the NOLs is dependent on sufficient taxable income in future years. Lack of further earnings, a change in ownership, or the application of the alternative minimum tax rules could adversely affect the Company's ability to utilize the NOLs. The Company's net deferred tax assets at December 31, 2008 and 2007, consist of the following:

	2008	2007
Deferred tax assets:		
Net operating loss carryforwards – domestic	$ 131,286	$ 328,642
Tax credits	30,262	19,562
Accrued vacation	13,116	11,782
Accrued bonuses	—	33,177
Allowance for doubtful accounts	79,624	90,680
Other accrued expenses	54,015	5,466
Deferred rent	299,785	(797)
Deferred revenue	75,706	103,856
Charitable contributions	—	6,531
Stock option expense	10,260	1,002
Depreciation and amortization	—	99,033
Total deferred tax assets	694,054	698,934
Deferred tax liabilities:		
Prepaid expenses	6,472	9,892
Deferred commission expense	361,488	324,314
Depreciation and amortization	112,129	—
State taxes	—	698
Total deferred tax liabilities	480,089	334,904
Net deferred tax assets	213,965	364,030
Valuation allowance	—	(196,272)
Net deferred tax assets	$ 213,965	$ 167,758

NOTE F—INCOME TAXES—Continued

Deferred tax assets are included in other assets on the consolidated balance sheet. A valuation allowance of $0 and $196,272 at December 31, 2008 and 2007, respectively, has been recorded to adjust the carrying value of the net deferred tax asset to the amount that the Company is more likely than not to realize in future years, based on management estimates.

A reconciliation of the statutory federal and state income taxes and the effective income tax rate at December 31, 2008 and 2007, is as follows:

	2008	2007
Federal income tax liability (benefit) at statutory rate	34.00%	(34.00)%
Permanent adjustments	13.04%	11.98%
State income tax liability (benefit) net of federal liability (benefit)	3.96%	(3.96)%
Net change in valuation allowance	(61.94)%	25.25%
Effective tax rate	(10.94)%	(0.73)%

NOTE G—COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space and certain equipment under operating lease agreements.

In October 2007, the company entered into an agreement to sublease office space in Reston, Virginia to serve as the new corporate headquarters. The lease commenced in January 2008, contains escalation clauses, and is subject to the terms and provisions of the lessor's original lease with the landlord.

In January 2005, the Company entered into an agreement to sublease office space in Reston, Virginia, to serve as the corporate headquarters. The lease commenced in February 2005, and it expired in December 2007. The lease contained escalation clauses, and was subject to the terms and provisions of the lessor's original lease with the landlord. The lease was extended to January 2008.

Rent expense related to these leases was $1,405,368 and $797,261 for the years ended December 31, 2008 and 2007, respectively.

NOTE G—COMMITMENTS AND CONTINGENCIES—Continued

Future minimum lease payments under capital and noncancelable operating leases as of December 31, 2008, are as follows:

	Capital	Operating
2009	$ 35,041	$ 1,301,932
2010	35,041	1,337,265
2011	14,562	1,393,061
2012	—	1,445,826
2013	—	1,503,589
Thereafter	—	2,496,687
Total future minimum payments	$ 84,644	$ 9,478,360
Less amount representing interest	8,152	
Present value of minimum lease payments	76,492	
Less current portion of capital lease obligations	29,894	
Long-term portion	$ 46,598	

Assets recorded under capital lease obligations aggregated $92,843 and $73,058 as of December 31, 2008 and 2007, respectively. Accumulated depreciation of assets under capital lease obligations totaled $19,305 and $47,709 at December 31, 2008 and 2007, respectively. Depreciation of assets under capital lease is included in depreciation expense.

Employment Agreements

The Company executed an agreement with the Chairman of the Board of Directors in May 2008. Pursuant to the terms of the agreement, the Company is obligated to pay the Chairman an annual salary, with any increases subject to the Board of Directors review and approval, for services through December 31, 2011. Furthermore, the agreement provides for the Chairman to receive 6 months of his then base salary upon his separation from the Company. Thereafter, pursuant to the agreement, the Chairman is to receive 75% of his then base salary for a period of 10 years.

NOTE H—EMPLOYEE BENEFIT PLAN

Eligible Company employees can elect to participate in a defined contribution 401(k) retirement plan. The retirement plan allows employees to make pretax contributions to the plan subject to a statutorily prescribed annual limit. Each participant is fully vested in his or her contributions and the related investment earnings. The Company may make contributions to the retirement plan, including matching contributions, at its discretion. During the years ended December 31, 2008 and 2007, the Company recognized expense related to matching contributions of $175,948 and $187,105, respectively.

INPUT – A DELAWARE CORPORATION

BOARD OF DIRECTORS

JUNE 2009

Peter A. Cunningham	Chairman of the Board, Director
Occupation:	Chairman INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	P.O. Box 30998 725 Britannia Drive Grand Cayman KY1-1204 Cayman Islands
E-Mail:	pac@input.com
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941

Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	P.O. Box 30998 725 Britannia Drive Grand Cayman KY1-1204 Cayman Islands
E-Mail:	patc@input.com
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

Timothy P. Dowd	Director, INPUT (Elected 5/12/08)
Occupation:	President and CEO INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	3871 Farrcroft Drive Fairfax, VA 22030
E-Mail:	tdowd@input.com
Telephone:	(703) 219-9959
Birth Date:	March 18, 1963

Thomas L. Hewitt	Director, INPUT (Re-Elected 9/1/03) (Prior Election 12/18/01-08/16/02)
Occupation:	CEO of Global Governments, Inc
Address:	139 Commodore Drive Jupiter, FL 33477
E-Mail:	tom@tomhewitt.com
Telephone:	(703) 228-0066 (VA) (571) 232-8859 (Cell)
Birth Date:	September 6, 1938

Maryann Hirsch	Director, INPUT (Elected 1/10/08)
Occupation:	President KNOWLEDGE CONSULTING GROUP, INC. 11710 Plaza America Drive, Suite 520 Reston, VA. 20190
E-Mail:	Maryann.Hirsch@KnowledgeCG.com
Telephone:	(703) 467-2000
Address:	20366 Falls Way Terrace Sterling, VA 20165
Telephone:	(703) 404-2928
Birth Date:	July 23, 1963

Jed Laird	Director, INPUT (Elected 7/13/05)
Occupation:	Managing Director PETSKY PRUNIER LLC 40 Wall Street New York, NY 10005
E-Mail:	jlaird@petskyprunier.com
Telephone:	(212) 842-7120
Address:	91 Roxiticus Road Far Hills, NJ 07931
Telephone:	(908) 719-2275
Birth Date:	June 30, 1945

Rachel J. Parrinello	Director, INPUT (Elected 4/10/08)
Occupation:	Director THE ALEXANDER GROUP, INC. 88 Kearny Street, Suite 1300 San Francisco, CA 94108
E-Mail:	rjcrachel@yahoo.com
Telephone:	(415) 391-5664 (Direct)
Address:	26060 Kriste Lane Los Altos Hills, CA 94022
Telephone:	(650) 941-2160, Cell (514) 601-7224
Birth Date:	January 31, 1969

INPUT - ANNUAL STOCKHOLDER'S MEETING
2009 Stockholders List

	NAME	Address	No of Shares	Meeting Notice Distrib.
	STOCKHOLDERS			
1	Barbara Austin	Home Address	5,000	- *Hard Copy Delivered in INPUT Office*
2	Deepak Bhat	Home Address	5,000	- *Hard Copy Delivered in INPUT Office*
3	Timothy Brett	Home Address	2,500	- *Hard Copy Delivered in INPUT Office*
4	William H. Bryant	24 Sandstone Portola Valley, CA 94028	200,000	- *By DHL*
5	Cayman E-Business Ltd.	C/O Royal Bank of Canada PO Box 1586 Grand Cayman KY1-1110 Cayman Islands	7,525,010	- *Mailed by Pat*
6	Megan Gamse	Home Address	2,500	- *Hard Copy Delivered in INPUT Office*
7	Myra Sue Grothoff	Home Address	10,000	- *Hard Copy Delivered in INPUT Office*
8	Brian Haney	Home Address	10,000	- *Hard Copy Delivered in INPUT Office*
9	Thomas Hewitt (Director)	Home Address	100,000	- *Hard Copy Delivered in INPUT Office*
10	Joshua Lockridge	Home Address	1,000	- *Hard Copy Delivered in INPUT Office*
11	Suzanne Masini (Haleen)	Home Address	5,000	- *Hard Copy Delivered in INPUT Office*
12	Kevin M. Plexico	Home Address	500,000	- *Hard Copy Delivered in INPUT Office*
13	Gary J. Sajko	Home Address	2,500	- *Hard Copy Delivered in INPUT Office*
14	Andrew Y. Sung	Home Address	10,000	- *Hard Copy Delivered in INPUT Office*
15	Paul Treszczotko	Home Address	5,000	- *Hard Copy Delivered in INPUT Office*
16	Alexander Turner	Home Address	2,500	- *Hard Copy Delivered in INPUT Office*
		TOTAL SHARES OUTSTANDING:	8,386,010	
	List Continues on Page 2			

Consolidated Financial Statements and Report of Independent Certified Public Accountants

INPUT, Inc. and Subsidiaries

December 31, 2009 and 2008

Pat Cunningham

From: Kevin Gates
Sent: Tuesday, July 06, 2010 1:25 PM
To: Peter Cunningham
Cc: Jed Laird; Maryann Hirsch; Pat Cunningham; Rachel Cunningham; Timothy Dowd; Tom Hewitt
Subject: RE: Audit

Peter – please see answers below. If you need further explanation please contact me. As an aside on another question of yours, the presentation of the RBC collateral is the same as it's been since Deloitte first insisted on that presentation.

If you are ok to "go final" please so state...

KG

From: Peter Cunningham
Sent: Saturday, July 03, 2010 8:48 AM
To: Kevin Gates
Cc: Jed Laird; Maryann Hirsch; Pat Cunningham; Rachel Cunningham; Timothy Dowd; Tom Hewitt
Subject: Audit

There are a number of changes in the report and the cash report in particular from last year that I would like to understand better:

1. $1 million change in AR from 2008 This is simply from nearly $2M in orders growth in q4 over the prior yr. DSO was the same, so it is not an issue of older receivables, just more of them with our growth.
2. $500K change in expenses from 2008 Accrued expenses grew mainly due to the General Bonus increase over 2008.
3. Additions to internally developed software of $900K in 2009 versus none in 2008. Does not make sense as we did not change anything between the two years. Note B says that 'No such costs were incurred in 2008' which is not true. It is true that no such costs were capitalized in 2008
   The "such" is referring to capitalizable costs, not developer costs in general. That said, I think we can get them to change the sentence to "No internal development costs were capitalized in 2008".
4. The purchase and sale of short term investments are I presume 'roll-overs' Yes
5. What was the income from the money held at RBC in Miami? Approx. $39K; rate was approx 2% on those short-term TDs. That income compares favorably to the expense side, as the collateral needed only went up about $60K (see balance sheet).

Thanks

INPUT, Inc. and Subsidiaries

Contents

Grant Thornton

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Report of Independent Certified Public Accountants

The Board of Directors
INPUT, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of INPUT, Inc. and Subsidiaries (a Delaware Corporation) as of December 31, 2009 and 2008, and the related consolidated statements of income, stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of INPUT, Inc. and Subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

McLean, Virginia
July 6, 2010

INPUT, Inc. and Subsidiaries

Consolidated Balance Sheets

December 31,		2009		2008
Assets				
Current Assets				
Cash and cash equivalents	$	5,780,062	$	4,100,257
Accounts receivable, net of allowance for doubtful accounts of $164,112 and $211,220, respectively		3,869,334		3,128,060
Prepaid expenses and other current assets		1,450,420		1,283,756
Total current assets		11,099,816		8,512,073
Property and equipment, net		1,738,974		849,995
Other assets		120,839		328,683
Total Assets	$	12,959,629	$	9,690,751
Liabilities and Stockholders' Deficit				
Current Liabilities				
Accounts payable	$	167,632	$	174,560
Accrued expenses		2,720,113		1,659,287
Deferred revenue, current portion		11,715,675		10,232,095
Capital lease obligation, current portion		31,885		29,894
Total current liabilities		14,635,305		12,095,836
Other Liabilities				
Deferred rent		822,419		789,740
Deferred revenue, net of current portion		434,828		327,034
Deferred income taxes		35,072		—
Capital lease obligation, net of current portion		14,139		46,598
Total Liabilities		15,941,763		13,259,208
Commitments and Contingencies (Note G)		—		—
Stockholders' Deficit:				
Common stock, $0.001 par value – 20,000,000 shares authorized; 8,436,010 shares issued and 8,391,010 shares outstanding at December 31, 2009; 8,866,010 shares issued and 8,432,510 shares outstanding at December 31, 2008		8,436		88,660
Additional paid-in capital		21,378		100,934
Treasury stock, 45,000 and 433,500 shares, respectively – at cost		(45,500)		(445,388)
Accumulated deficit		(923,050)		(1,326,981)
Accumulated other comprehensive loss		(10,127)		(9,818)
		(948,863)		(1,592,593)
Promissory notes receivable from principal stockholders		(142,253)		(142,253)
Short-term investment – collateral for personal loan of principal stockholders		(1,891,018)		(1,833,611)
Total Stockholders' Deficit		(2,982,134)		(3,568,457)
Total Liabilities and Stockholders' Deficit	$	12,959,629	$	9,690,751

The accompanying notes are an integral part of these statements.

INPUT, Inc. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31,		2009		2008
Revenue	$	26,176,242	$	23,188,446
Operating Expenses				
Cost of revenues		11,103,119		10,836,859
Sales and marketing		7,626,801		7,028,923
Research and development		1,725,821		1,575,243
General and administrative		4,132,435		3,201,661
Depreciation and amortization		508,683		398,562
Total operating expenses		25,096,859		23,041,248
Income from Operations		1,079,383		147,198
Other Income		55,830		154,570
Income before Income Taxes		1,135,213		301,768
Income Tax (Expense) Benefit		(467,056)		33,005
Net Income	$	668,157	$	334,773

The accompanying notes are an integral part of these statements.

INPUT, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Deficit

December 31, 2009 and 2008

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Transactions with or for the Benefit of Principal Stockholders	Total Stockholders' Deficit
	Shares	Amount		Shares	Amount				
Balance at January 1, 2008	8,866,010	$ 88,660	$ 2,293	398,500	$ (406,638)	$ (10,510)	$ (1,661,754)	$ (1,699,251)	$ (3,687,200)
Short-term investment – pledged as collateral for personal loan of principal stockholders	—	—	—	—	—	—	—	(276,613)	(276,613)
Repurchase of common stock	—	—	—	55,000	(57,750)	—	—	—	(57,750)
Stock-based compensation expense	—	—	98,641	—	—	—	—	—	98,641
Issuance of common stock upon exercise of options	—	—	—	(20,000)	19,000	—	—	—	19,000
Components of comprehensive income:									
Currency translation adjustments	—	—	—	—	—	692	—	—	692
Net income	—	—	—	—	—	—	334,773	—	334,773
Comprehensive income	—	—	—	—	—	692	334,773	—	335,465
Balance at December 31, 2008	8,866,010	88,660	100,934	433,500	(445,388)	(9,818)	(1,326,981)	(1,975,864)	(3,568,457)
Re-incorporation of the Company (See Note D)	(433,500)	(80,228)	(100,934)	(433,500)	445,388	—	(264,226)	—	—
Short-term investment – pledged as collateral for personal loan of principal stockholders	—	—	—	—	—	—	—	(57,407)	(57,407)
Repurchase of common stock	—	—	—	52,500	(52,625)	—	—	—	(52,625)
Stock-based compensation expense	—	—	18,057	—	—	—	—	—	18,057
Issuance of common stock upon exercise of options	3,500	4	3,321	(7,500)	7,125	—	—	—	10,450
Components of comprehensive income (loss):									
Currency translation adjustments	—	—	—	—	—	(309)	—	—	(309)
Net income	—	—	—	—	—	—	668,157	—	668,157
Comprehensive income	—	—	—	—	—	(309)	668,157	—	667,848
Balance at December 31, 2009	8,436,010	$ 8,436	$ 21,378	45,000	$ (45,500)	$ (10,127)	$ (923,050)	$ (2,033,271)	$ (2,982,134)

The accompanying notes are an integral part of these statements.

INPUT, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31,		2009		2008
Cash Flows from Operating Activities				
Net income	$	668,157	$	334,773
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		508,683		398,562
Allowance for doubtful accounts		(47,254)		(29,124)
Gain on disposal of fixed assets		(545)		(40,277)
Deferred income tax expense (benefit)		437,060		(46,207)
Stock-based compensation expense		18,057		98,641
Amortization of discount on related-party notes receivable		(4,826)		(4,458)
Deferred rent		32,679		789,740
Changes in operating assets and liabilities:				
Accounts receivable		(694,020)		359,470
Prepaid expenses and other current assets		(183,546)		41,781
Other assets		14,755		(9,455)
Accounts payable and accrued expenses		730,376		204,527
Deferred revenue		1,592,207		591,537
Net Cash Provided by Operating Activities		3,071,783		2,689,510
Net Cash Used in Investing Activities				
Purchase of property and equipment		(383,018)		(561,198)
Proceeds from sale of property and equipment		545		45,035
Additions to internally developed software		(881,967)		—
Purchase of short-term investments		(1,919,500)		(2,070,731)
Proceeds from sale of short-term investments		1,862,093		2,510,594
Net Cash Used in Investing Activities		(1,321,847)		(76,300)
Cash Flows Used in Financing Activities				
Purchase of treasury shares		(52,625)		(57,750)
Proceeds from exercise of stock options		10,450		19,000
Principal payments on capital lease obligations		(30,468)		(24,387)
Net Cash Used in Financing Activities		(72,643)		(63,137)
Effect of Exchange Rates on Cash		2,512		(146)
Net Increase in Cash and Cash Equivalents		1,679,805		2,549,927
Cash and Cash Equivalents, beginning of year		4,100,257		1,550,330
Cash and Cash Equivalents, end of year	$	5,780,062	$	4,100,257

The accompanying notes are an integral part of these statements.

INPUT, Inc. and Subsidiaries

Consolidated Statements of Cash Flows—Continued

For the years ended December 31,		2009		2008
Supplemental Disclosure of Cash Flow Information				
Cash paid during the year for interest	$	5,147	$	5,910
Cash paid during the year for income taxes		36,742		1,810
Noncash Disclosure of Investing and Financing Activities				
Equipment obtained under capital lease		—		92,843
Termination of capital lease		—		(19,909)
Accrued fixed asset additions		111,677		20,888
Fixed asset additions acquired through barter transactions		21,000		—

The accompanying notes are an integral part of these statements.

NOTE A—ORGANIZATION

INPUT ("INPUT" or the "Company") helps companies develop federal, state, and local government business and helps public sector organizations achieve their objectives. The Company has three primary lines of business to meet the needs of its customers: information services, software solutions, and events.

The Company was initially incorporated in December 1976 under the laws of the state of California. The common stock of the California corporation was no par stock. In August 2000, the Company created an entity incorporated in the state of Nevada. In January 2001, the California corporation merged into the Nevada corporation, with the Nevada corporation being the surviving entity. The common stock of the Nevada corporation had a par value of $0.01. In January 2009, the Nevada corporation reincorporated in the state of Delaware under the name INPUT, Inc. (see Note D). The accompanying consolidated financial statements include the accounts of INPUT, Inc., a Delaware corporation; INPUT Limited, a wholly owned subsidiary operating in the United Kingdom; INPUT SARL, a dormant wholly owned French subsidiary; and INPUT, GmbH, a dormant wholly owned German subsidiary.

The Company's operations are subject to certain risks and uncertainties that could affect future operations and financial performance. Risks to which the Company is exposed include uncertainties relating to product development; rapidly changing technology; current and potential competitors with greater financial, technological, production, and marketing resources; and dependence on key management personnel.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenue Recognition

The Company's revenues consist of subscription revenues, services revenues, and software revenues. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, and collectability is reasonably assured.

Subscription-based revenues are revenues derived from arrangements in which the Company's clients subscribe to hosted information products and services. Revenues are recognized ratably over the contract term, typically one year. Multiple subscription products are sold on single contracts and revenues are recognized at relative fair value for each component.

Software revenues are derived from arrangements in which the Company's clients license proprietary software developed and hosted by the Company. Software licenses are sold with implementation and configuration services. The Company has not sold these services on a standalone basis and, therefore, has not determined the fair value of those services. Accordingly, software license revenue is recognized ratably over the term of the arrangement after implementation and configuration services are completed.

Events revenues are derived from breakfast events, conferences, and seminars. Revenues are recognized when the event is completed.

Barter transactions represent the exchange of the Company's subscription and other services for merchandise or services. Exchanges of nonmonetary assets are measured at relative fair value of the assets exchanged. At inception, the Company records an asset and a liability equal to the fair value of the services exchanged. Revenue is recorded at the fair value of the services relinquished. Expense is recorded at the fair value of the merchandise or services received. For subscriptions, barter revenue is recognized over the term of the agreement; other barter revenue is recognized as the services are rendered. Barter expense is recognized when the service is provided or when the merchandise is received. Barter revenue for the years ended December 31, 2009 and 2008, was $290,366 and $379,464, respectively, and is included in revenue. Barter expense for the years ended December 31, 2009 and 2008, was $290,366 and $379,464, respectively, and is included primarily in sales and marketing expense.

Advance payments are recorded as deferred revenue until services are delivered or obligations are met. Deferred revenue represents the difference between the amounts invoiced and the amounts recognized as revenues.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Accounts Receivable and Allowance for Doubtful Accounts

The Company's accounts receivable balances relate primarily to subscription fees and services fees charged but not collected. The Company reviews its receivables regularly to determine if there are any potential uncollectible accounts. The Company records allowances for bad debt as a reduction to accounts receivable and an increase to bad debt expense. These allowances are estimated and accrued on a monthly basis.

Commission Expense

Commission expense relating to subscription orders is recognized ratably over the subscription term and is included in sales and marketing expense in the Company's consolidated statements of income. Commission expense relating to nonsubscription orders is expensed in the period that the order is sold.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity or redemption feature of three months or less to be cash equivalents. The Company maintains cash and cash equivalents in bank deposit and money market accounts, which, at times, may exceed federally insured amounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Short Term Investments

Short term investments at December 31, 2009 and 2008 of $1,891,018 and $1,833,611, respectively, consist of time deposits at a bank that range from 6 months to one year in original maturity. As of December 31, 2009 and 2008, respectively, $1,891,018 and $1,833,611 of these amounts serve as collateral to secure a personal bank loan to the Company's principal stockholders (see Note E) and are included as a component of stockholders' deficit.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computer and office equipment	3-5 years
Computer software	3 years
Internally developed software	3 years
Office furniture	5 years
Leasehold improvements	Lesser of related lease term or useful life

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Property and Equipment—Continued

Equipment held under capital lease obligations is classified as property and equipment and amortized using the straight-line method over the lesser of the useful life or the term of the lease. Amortization of equipment under capital lease obligations is included with depreciation expense for similar types of equipment.

Repairs and maintenance are charged to expense as incurred. When assets are retired or otherwise disposed of, the asset and related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income.

Software Development Costs

The Company capitalizes certain costs incurred in connection with developing or obtaining internal use software. Costs incurred relating to planning and post-implementation phases of development are expensed as incurred. During 2009 the Company capitalized approximately $917,000 of software development costs incurred as part of upgrade or enhancements to the database of existing products or incurred in the development phase of new products. No internal development costs were capitalized in 2008. Such amounts are included in property and equipment and are being amortized on a straight-line basis over an estimated useful life of three years.

Stock-Based Compensation

The Company recognizes compensation cost for all stock-based awards at the estimated fair value on the date of grant over the requisite service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes valuation model. This value for service based awards is recognized as expense over the requisite service period, net of estimated forfeitures, using the straight-line method. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from the Company's current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. Management considers many factors when estimating expected forfeitures, including employee class, historical experience, and expected future activity. Actual results, and future changes in estimates, may differ substantially from management's current estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company generally maintains its cash balances in accounts with nationally recognized institutions. Customers are granted credit on an unsecured basis. Management monitors the creditworthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Income Taxes

Deferred taxes are provided utilizing the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amount of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

On January 1, 2009, the Company adopted a new accounting standard which provided guidance on accounting for uncertain tax positions. The guidance prescribes a recognition threshold that a tax position is required to meet before recognition in the financial statements, and provides guidance on de-recognition, measurement, classification, interest and penalties, disclosure and transitional issues. The adoption of the guidance did not have a material effect on the Company's financial statements.

In accordance with the guidance discussed above, the Company recognizes the financial statement effect of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination by the taxing authority. Recognized tax positions are initially and subsequently measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The Company has chosen to treat interest and penalties related to uncertain tax liabilities as a component of income tax expense.

Advertising Costs

The Company expenses advertising costs as incurred. For the years ended December 31, 2009 and 2008, total advertising costs, including barter transactions, were $486,885 and $688,363, respectively. Advertising costs related to barter transactions were $290,366 and $379,464, respectively, for the years ended December 31, 2009 and 2008.

Other Comprehensive Loss

All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as foreign currency translation adjustments, a component of accumulated other comprehensive loss, net within the stockholders' deficit section of the consolidated balance sheet.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash equivalents, trade receivables, accounts payable and accrued expenses, approximate their fair values due to the short maturities.

Subsequent Events

The Company evaluated its financial statements for subsequent events through July 6, 2010, the date the financial statements were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Reclassifications

Certain amounts in the 2008 financial statements have been reclassified to conform to the current presentation.

NOTE C—PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2009 and 2008, consists of the following:

	2009	**2008**
Computer and office equipment	$ 2,015,647	$ 1,832,765
Computer software	884,075	744,495
Internally developed software	916,515	—
Office furniture	272,796	200,364
Leasehold improvements	189,893	186,505
	4,278,926	2,964,129
Less accumulated depreciation and amortization	(2,539,952)	(2,114,134)
Total	$ 1,738,974	$ 849,995

Depreciation and amortization expense related to property and equipment was $508,683 and $398,562 for the years ended December 31, 2009 and 2008, respectively.

NOTE D—STOCKHOLDERS' DEFICIT

Common Stock

The 1993 Stock Incentive Plan, the 2004 Stock Option Plan, and the 2009 Stock Option Plan, as described below, provide for the repurchase of stock from former employees within 185 days from their effective termination date, or if later, the exercise date of the option, at the election of the Company. In 2009 and 2008, the Company repurchased a total of 52,500 and 55,000, respectively, outstanding shares of common stock from stockholders no longer involved with the Company. The per share price(s) of the purchases were $1.00 - $1.05 per share in 2009 and $1.05 per share in 2008, which represented the estimated fair value of the Company's common stock at the time of repurchase. The Board of Directors approved the stock repurchases. The Company repurchased the shares with the intention to hold the shares in treasury for future distribution. The shares are included in treasury stock.

NOTE D—STOCKHOLDERS' DEFICIT—Continued

Re-Incorporation

On January 1, 2009, the Company re-incorporated in Delaware. Pursuant to the Amended and Restated Articles of Incorporation, the Company's par value for common stock, previously $0.01, was changed to $0.001. The Company's equity accounts have been adjusted in the statement of stockholders' deficit to reflect the impact of the re-incorporation.

Stock Option Plans

On October 27, 1993, the Company adopted the 1993 Stock Incentive Plan (the Plan) to issue 2,600,000 authorized shares of common stock to attract, retain, and reward key individuals who have contributed to the growth of the Company. These individuals include all employees and directors. The Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals are awarded options pursuant to the Plan, and the terms and exercise prices of stock options. The Plan terminated in October 2003.

On January 15, 2004, the Company adopted the 2004 Stock Option Plan (the "2004 Plan") to issue 1,400,000 authorized shares of common stock. In 2008, the Board of Directors approved increasing the number of authorized shares to 2,600,000. The purpose of the 2004 Plan is to attract, retain and reward key individuals who contribute to the success of the Company. These individuals include employees, consultants and directors. The 2004 Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals receive awards under the 2004 Plan, and the terms and exercise prices of the stock options. The 2004 Plan terminates in January 2014.

On January 22, 2009, the Company adopted the 2009 Stock Option Plan (the "2009 Plan") to issue 500,000 authorized shares of common stock. The purpose of the 2009 Plan is to attract, retain and reward key individuals who contribute to the success of the Company. These individuals include employees, consultants and directors. The 2009 Plan is administered by the Board of Directors, which has the authority, among other things, to determine which individuals receive awards under the 2009 Plan, and the terms and exercise prices of the stock options. The 2009 Plan terminates in January 2019.

At December 31, 2009 and 2008, respectively, options to purchase 869,000 and 1,822,000 shares were outstanding under the Plan, the 2004 Plan and the 2009 Plan and 140,000 and 772,625 shares were available for future grants.

Each qualified and nonqualified incentive stock option granted pursuant to the Plan, the 2004 Plan and the 2009 Plan has an exercise price equal to or less than the fair market value of the common stock at the date of the grant and a term ranging from five to ten years. The majority of options granted during 2009 and 2008 vest over four years. Options that include a performance condition, if any, recognize compensation cost at the date management believes such condition will be achieved. At the time the achievement of the performance condition becomes probable, the Company recognizes compensation expense for the period from the grant date.

NOTE D—STOCKHOLDERS' DEFICIT—Continued

The following table summarizes the activity of the Company's Plan:

	Number of Options Outstanding	Range of Exercise Prices	Weighted-Average Exercise Price
Balance at January 1, 2008	412,500	$0.10 to $1.05	$ 0.96
Granted	1,505,500	1.05	1.05
Exercised	(20,000)	0.95	0.95
Terminated	(76,000)	0.95 to 1.05	1.00
Balance at December 31, 2008	1,822,000	0.95 to 1.05	1.03
Granted	360,000	1.00 to 1.05	1.00
Exercised	(11,000)	0.95	0.95
Terminated	(1,302,000)	0.95 to 1.05	1.05
Balance at December 31, 2009	869,000	$0.95 to $1.05	$ 1.00

The weighted-average fair value of options granted during 2009 and 2008 was $0.59 and $0.35, respectively. To estimate the option term, the Company used the simplified method given its lack of historical experience to provide a sufficient basis to estimate and the issuance of plain vanilla options. For the risk-free interest rate, the Company uses a U.S. Treasury bond rate consistent with the estimated expected term of the option award. There is no active external or internal market for the Company's common shares. Thus, it was not possible to estimate the expected volatility of the Company's share price in estimating fair value of options granted. Accordingly, as a substitute for such volatility, the Company used the average historical volatility of several publicly-traded companies in similar industries to that of the Company. The following assumptions were used for grants issued during the years ended December 31:

	2009	2008
Volatility	50.2%	42.2%
Dividend yield	—	—
Average risk-free interest rate	1.61% - 2.49%	1.20% – 2.97%
Expected life of option	4.75 years	3.75 years

Options to purchase 320,250 and 254,875 shares of the Company's common stock were exercisable at December 31, 2009 and 2008, respectively, at a weighted-average per share exercise price of $0.98 per share and $0.96 per share, respectively. The weighted-average remaining contractual life of options exercisable at December 31, 2009 and 2008, was 1.38 and 1.75 years, respectively.

The weighted-average remaining contractual life of options outstanding at December 31, 2009 and 2008, was 2.40 and 3.88 years, respectively.

The Company recognized $18,057 and $98,641, respectively, in compensation costs relating to options in 2009 and 2008. As of December 31, 2009, there was approximately $67,000 of unrecognized compensation cost related to unvested stock options. That cost is expected to be recognized over a weighted average period of 2.46 years.

NOTE E— RELATED-PARTY TRANSACTIONS

The Company engaged a consulting firm to assist in certain market research projects for the Company during 2009. A member of the consulting firm is on the Company's Board of Directors. The Company paid $169,885 to that firm for the year ended December 31, 2009. No such services were received by the Company for the period ended December 31, 2008. There are no outstanding payables related to those services at December 31, 2009.

The Company holds promissory notes due from its principal stockholders related to payments made by the Company on behalf of the stockholders' personal insurance policies. The balance of these notes was $142,253 as of December 31, 2009 and 2008. The notes were payable on November 30, 2006, and bore interest in the range of 1.50% to 3.58% per annum; on January 1, 2007, they were replaced with notes bearing interest at 4.58% per annum, and maturing on January 15, 2010. As of December 31, 2009 and 2008, no principal amounts had been paid. The notes are included as a component of stockholders' deficit. Interest of $6,515 and $-0- was received in 2009 and 2008, respectively. As the stated interest rates on the notes are below market rates, the Company calculated imputed interest and recorded an insiginificant discount on the notes.

On May 11, 2006, the disinterested members of the Board of Directors unanimously approved the use of the Company cash deposits as collateral to secure a personal bank loan to the Company's principal stockholders. In accordance with this agreement, the Company shall pledge cash deposits up to $3,500,000 as security for the borrowing obligations of the principal stockholders to the bank. As a condition for this pledge by the Company, the principal stockholders in exchange pledged to the Company 1,800,000 shares of their stock in the Company, as security for their obligation to fully reimburse the Company in the event there is a call on the Company's pledge to the bank. As of December 31, 2009 and 2008, $1,891,018 and $1,833,611, respectively, was borrowed by the principal stockholders in connection with this arrangement. As such, $1,891,018 and $1,833,611 of these funds held in the Company's short term investments (see Note B) serve as collateral to secure this loan and are reflected as a component of stockholders' deficit at December 31, 2009 and 2008, respectively.

NOTE F—INCOME TAXES

The components of income tax expense (benefit) at December 31, 2009 and 2008, are as follows:

	2009	2008
Current:		
Federal	$ 3,090	$ 10,700
State	26,906	2,502
Total current	29,996	13,202
Deferred:		
Federal	385,264	(42,738)
State	51,796	(3,469)
Total deferred	437,060	(46,207)
Total	$ 467,056	$ (33,005)

NOTE F—INCOME TAXES—Continued

The Company's net deferred tax (liabilities) assets at December 31, 2009 and 2008, consist of the following:

	2009	2008
Deferred tax assets:		
Net operating loss carryforwards – domestic	$ —	$ 131,286
Tax credits	5,095	30,262
Accrued vacation	15,001	13,116
Allowance for doubtful accounts	64,299	79,624
Other accrued expenses	61,468	54,015
Deferred rent	325,411	299,785
Deferred revenue	111,079	75,706
Stock option expense	19,085	10,260
Total deferred tax assets	601,438	694,054
Deferred tax liabilities:		
Prepaid expenses	4,716	6,472
Deferred commission expense	446,257	361,488
Depreciation and amortization	373,560	112,129
Total deferred tax liabilities	824,533	480,089
Net deferred tax (liabilities) assets	$ (223,095)	$ 213,965

Deferred tax liabilities current are recorded in accrued expenses at December 31, 2009. Deferred tax assets current are recorded in prepaid expenses and other current assets and long-term deferred tax assets are in other assets at December 31, 2008.

NOTE F—INCOME TAXES—Continued

The need to establish valuation allowances for deferred tax assets is based on a more-likely-than-not threshold that the benefit of such assets will be realized in future periods. Management has given appropriate consideration to all available evidence, including historical operating results, projections of taxable income, and tax planning alternatives, and concluded that no valuation allowance was needed as of December 31, 2009 and 2008.

The Company's provision for income taxes differs from the amount computed by applying the federal statutory income tax rate for the period ended December 31, 2008 due to a valuation allowance release. No such adjustments were made to the Company's provision for income taxes for the period ended December 31, 2009.

The Company files U.S. federal and state tax returns as well as returns in certain foreign jurisdictions. For all jurisdictions the tax returns that may be subject to examination by the relevant taxing authority are 2005, 2006, 2007, and 2008.

NOTE G—COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space and certain equipment under operating lease agreements.

In October 2007, the company entered into an agreement to sublease office space in Reston, Virginia to serve as the new corporate headquarters. The lease commenced in January 2008, contains escalation clauses, and is subject to the terms and provisions of the lessor's original lease with the landlord. Rent expense relating to leases containing escalation clauses is recognized on a straight line basis over the lease term.

Rent expense related to these leases was $1,351,887 and $1,405,368 for the years ended December 31, 2009 and 2008, respectively.

NOTE G—COMMITMENTS AND CONTINGENCIES—Continued

Future minimum lease payments under capital and noncancelable operating leases as of December 31, 2009, are as follows:

	Capital	Operating
2010	$ 34,383	$ 1,353,515
2011	14,562	1,393,061
2012	—	1,445,826
2013	—	1,503,589
2014	—	1,563,634
Thereafter	—	933,053
Total future minimum payments	$ 48,945	$ 8,192,678
Less amount representing interest	2,921	
Present value of minimum lease payments	46,024	
Less current portion of capital lease obligations	31,885	
Long-term portion	$ 14,139	

Assets recorded under capital lease obligations aggregated $92,843 as of December 31, 2009 and 2008. Accumulated depreciation of assets under capital lease obligations totaled $50,253 and $19,305 at December 31, 2009 and 2008, respectively. Depreciation of assets under capital lease is included in depreciation expense.

Employment Agreements

The Company executed an agreement with the Chairman of the Board of Directors in May 2008. Pursuant to the terms of the agreement, the Company is obligated to pay the Chairman an annual salary, with any increases subject to the Board of Directors review and approval, for services through December 31, 2011. Furthermore, the agreement provides for the Chairman to receive 6 months of his then base salary upon his separation from the Company. Thereafter, pursuant to the agreement, the Chairman is to receive 75% of his then base salary for a period of 10 years.

NOTE H—EMPLOYEE BENEFIT PLAN

Eligible Company employees can elect to participate in a defined contribution 401(k) retirement plan. The retirement plan allows employees to make pretax contributions to the plan subject to a statutorily prescribed annual limit. Each participant is fully vested in his or her contributions and the related investment earnings. The Company may make contributions to the retirement plan, including matching contributions, at its discretion. During the years ended December 31, 2009 and 2008, the Company recognized expense related to matching contributions of $194,797 and $175,948, respectively.

Peh

INPUT

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www.input.com

NOTICE OF THE ANNUAL MEETING OF THE STOCK HOLDERS OF INPUT - A Delaware Corporation

June 30th, 2010

TO INPUT STOCKHOLDERS

Notice is hereby given that the Regular Annual Meeting of the Stockholders of INPUT, A Delaware Corporation, will be held on Thursday, July 15th, 2010 at 9.00 a.m. at the offices of the corporation, 11720 Plaza America Drive, Suite 1200, Reston, VA 20190 for the purpose of electing a Board of Directors and any other such business as may properly come before the meeting.

A teleconferencing facility will be available for those stockholders unable to physically attend the meeting. Please contact Victoria Paylor to arrange.

To have their votes counted; shareholders must appear in person or file a proxy prior to the time of the meeting. A proxy form is enclosed. You may return the proxy whether or not you plan to attend the meeting. Any shareholder may revoke his/her proxy and vote in person at any time prior to the exercise thereof. A list of stockholders is available for inspection by any stockholder up until the time of the meeting. Please contact Pat Cunningham for directions to access it.

Enclosed is an Agenda for the meeting with a copy of the minutes of the Stockholders' Meeting held July 16th, 2009 for your review. The Financial Statements for the year ending December 31, 2009 will be provided prior to the meeting. Please inform me if you have any additional items you wish addressed.

Sincerely,

Patricia Cunningham
Corporate Secretary

Enclosures.

INPUT®

ANNUAL STOCKHOLDERS MEETING

JULY 15TH, 2010

AGENDA

1. Review and approval of the minutes of the Annual Stockholders' Meeting held on July 16th, 2009.

2. Election of Directors.

3. Review and acceptance of the 2009 Audited Financial Statements prepared by Grant Thornton LLP.

4. Approval of the re-appointment of Grant Thornton LLP as corporate auditors for the year 2010.

5. Any other business.

***

MINUTES OF MEETING OF

STOCKHOLDERS OF

INPUT, INC.

A meeting (the "Meeting") of the stockholders of INPUT, Inc. (the "Corporation"), a Delaware Corporation, was held on July 16, 2009 at 9:00 a.m. (Eastern Time) at the Corporation's offices located at 11720 Plaza America Drive, Suite 1200, Reston, Virginia 20190.

The following stockholders were present at the Meeting: Peter Cunningham and Patricia Cunningham (each as duly appointed proxy for Cayman EBusiness Ltd.); Thomas Hewitt (via teleconference); Kevin Plexico; Brian Haney; Tim Brett; Paul Treszczotko; Alexander Turner; Megan Gamse; Deepak Bhat; Sue Grothoff; Joshua Lockridge; Kevin Plexico and Brian Haney (each as duly appointed proxy for Barbara Austin); Tim Brett and Alexander Turner (each as duly appointed proxy for Gary J. Sajkon); and Kevin Plexico and Brian Haney (each as duly appointed proxy for Andrew Sung).

Said stockholders represented a majority in interest of the outstanding shares of the Corporation.

Also present by invitation were directors Timothy Dowd, Maryann Hirsch, Jed Laird and Rachel Parrinello; Kevin Gates, Vice President, Finance and Administration of the Corporation; Colleen O'Neill, Director of Accounting of the Corporation; Kerry Hall, Audit Partner, Grant Thornton LLP ("Grant Thornton"); and Thomas FitzGerald of Morrison & Foerster LLP.

The Meeting was called to order by the Chair, Peter Cunningham, who announced that the Meeting was held pursuant to duly provided written notice and directed that a copy of that notice be placed in the minute book of the Corporation immediately preceding the minutes of this Meeting.

The first matter of business was the review of the minutes of the stockholders' meeting held on July 17, 2008, which minutes had been distributed to each stockholder prior to the Meeting. There being no changes, additions or corrections, a motion was moved to accept the minutes, which was seconded, and unanimously carried.

The next matter to come before the Meeting was the election of directors for the Corporation for the ensuing year. The Chair nominated the following individuals:

1. Peter A. Cunningham
2. Patricia Cunningham
3. Timothy Dowd
4. Thomas Hewitt
5. Maryann Hirsch
6. Jed Laird
7. Rachel Parrinello

There being no further nominations, a motion was proposed, seconded and carried to elect the above individuals to serve as the Corporation's directors for the ensuing year.

The next matter before the Meeting was a review of the 2008 Consolidated Financial Statements and Report of Independent Certified Public Accountants prepared by Grant Thornton. Mr. Gates introduced Mr. Kerry Hall, Audit Partner, from Grant Thornton, and Mr. Hall presented an overview of the report. After discussion, upon

motion duly made and seconded, the motion to adopt the 2008 Consolidated Financial Statements was carried.

The next matter for review was the re-appointment of Grant Thornton as THE Corporation's auditors for the year 2009. After discussion, Mr. Cunningham proposed the motion to approve the reappointment of Grant Thornton as the Corporation's auditors for 2009, subject to the Board of Directors' approval of a satisfactory fee. This motion was seconded and carried.

There being no other business to come before the Meeting, the Meeting was adjourned at approximately 9:20 a.m. (Eastern Time)

____
Patricia Cunningham, Secretary

INPUT, INC.

SCRIPT FOR 2010 ANNUAL MEETING OF STOCKHOLDERS

JULY 15, 2010

1. Call of the Meeting to Order.

Will the meeting please come to order? I want to welcome you to INPUT's 2010 Annual Meeting of Stockholders. I am Peter Cunningham, Chairman of the Board of the Company, and I will be Chairman of this meeting. Patricia Cunningham, Secretary of the Company, will serve as Secretary of the Meeting.

2. Proof of Mailing of Notice.

Notice of this meeting was mailed on June 30, 2010, to our stockholders of record at the close of business on June 29, 2010, the record date for this meeting. Pat will please file the proof of notice of this meeting with the minutes.

3. Presentation of Proxies.

The list of stockholders shows that there were 8,513,510 shares of Common Stock outstanding on the record date and entitled to vote at this meeting. Pat informs me that, immediately prior to the commencement

of this meeting, holders of ___________ shares of Common Stock were present by proxy.

4. <u>Presence of Quorum; Approval of Minutes; Purposes of Meeting</u>.

Pat has been appointed to serve as the inspector of elections at this meeting. Pat informs me that there is a quorum present at this meeting.

(Pat distributes a copy of the minutes of the 2009 Annual Meeting of the Stockholders.)

Pat has distributed a copy of the minutes of the last Annual Meeting of the Stockholders, held on July 16, 2009. I invite the stockholders to review the minutes.

(Pause while stockholders review the minutes.)

I will now entertain a motion that the minutes of the last meeting be approved.

[Stockholder 1]: So moved.

Thank you. Is there a second?

[Stockholder 2]: I second the motion.

Thank you. The minutes of the last meeting are approved.

In addition to the approval of the minutes from the 2009 Annual Meeting of Stockholders, there are four other items of business for this meeting: (1) the approval of amended Bylaws: (2) the election of up to eight persons to serve as directors of the Company; (3) the review and adoption of the 2009 Audited Financial Statements prepared by Grant Thornton LLP; and (4) the approval and reappointment of Grant Thornton LLP as the Company's auditors for 2010.

The polls are now open for voting, and will close upon the completion of discussion of the matter submitted for voting. If you held shares directly on June 29th and either have not returned your proxy or wish to revoke your proxy and vote your shares at this time, please obtain a ballot from the inspector of elections at this time. You must complete, execute and return your ballot to the inspector before the polls close. If you previously voted by proxy, there is no need for you to vote by ballot at this time.

5. Approval of Amended Bylaws

The meeting will now proceed with the review and adoption of the Amended Bylaws. The changes proposed are to bring the Bylaws into

line with current governance procedures of the company. As a background, the current Bylaws were carried over from the Nevada Corporation when I was still President and were not updated when we hired a President and CEO. As a result we have some anomalies such as the power to call meetings that the new version corrects. It is particularly important now.

(Pat distributes a copy of the amended Bylaws.)

Pat has distributed a copy of the amended Bylaws, and I invite the stockholders to review these materials.

I will now entertain a motion that the amended Bylaws be approved.

[Stockholder 1]: So moved.

Thank you. Is there a second?

[Stockholder 2]: I second the motion.

Thank you. The amended Bylaws are approved.

6. Nomination of Directors.

Eight members of the Company's Board of Directors are to be elected at this Meeting. Each member of the Board of Directors will

serve until the Annual Meeting of Stockholders in 2011 or until his or her successor is elected and qualifies.

I will now entertain nominations for the eight members of the Board of Directors who are to be elected by the stockholders.

***[Stockholder 1]*: I nominate the following slate of directors:**

Peter A. Cunningham, as Chairman;

Patricia Cunningham;

Timothy P. Dowd;

Thomas L. Hewitt;

Maryann Hirsch;

Jed Laird;

Rachel Parrinello; and

Daniel Young.

Thank you. Is there a second?

[Stockholder 2]: I second the nominations.

Thank you. If there are questions or comments about the election of these nominees as directors, this is the appropriate time to raise them. Also, this is the appropriate time for any other nominations.

(Pause)

[IF THERE ARE OTHER NOMINATIONS:

Thank you. If there are questions or comments about the election of these nominees as directors, this is the appropriate time to raise them. Also, this is the appropriate time for any other nominations.

(Pause)]

In the absence of any further discussion or any additional nominations, the nominations for the members of the Board of Directors who are to be elected by the stockholders are closed.

7. Election of Directors.

The meeting will now proceed with the election of directors. The nominees for the eight members of the Board of Directors are: Peter A. Cunningham, as Chairman; Patricia Cunningham; Timothy P. Dowd; Thomas L. Hewitt; Maryann Hirsch; Jed Laird; Rachel Parrinello; and Daniel Young (subject to a satisfactory agreement with him).

~~If you wish to vote by ballot on the election of these nominees~~ as
All in favor, all opposed, abstain.
~~directors, please hand your ballot to Pat~~.

(Pause)

~~I now declare the polls closed.~~

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[IF OTHER STOCKHOLDERS ARE PRESENT:

~~*As votes are being tabulated, we will provide an overview of the Company's business operations and financial position. We will then announce the results of the voting.*~~

[Presentation by Mr. Cunningham and questions.]]

8. Report on Voting; Questions; Adjournment.

A total of ____% of the outstanding shares of Common Stock that were voted at the meeting were voted in favor of Peter A. Cunningham, as Chairman; Patricia Cunningham; Timothy P. Dowd; Thomas L. Hewitt; Maryann Hirsch; Jed Laird; Rachel Parrinello; and Daniel Young. ***[LIST VOTES FOR AND AGAINST ADDITIONAL NOMINEES, IF ANY.]***

I am pleased to announce that Peter A. Cunningham, as Chairman; Patricia Cunningham; Timothy P. Dowd; Thomas L. Hewitt; Maryann

Hirsch; Jed Laird; Rachel Parrinello; and Daniel Young have been elected to serve as directors of the Company.

9. <u>Review and Adoption of 2009 Audited Financial Statements</u>.

The meeting will now proceed with the review and adoption of the 2009 Audited Financial Statements, prepared by Grant Thornton LLP.

(Pat distributes a copy of the 2009 audited financial statements.)

Pat has distributed a copy of 2009 audited financial statements, and I invite the stockholders to review these materials. [***Optional***: I would like to introduce you to Kerry Hall, audit partner from Grant Thornton LLP, who will assist me in presenting the 2009 Audited Financial Statements and answering any questions you may have on this matter.]

[Presentation by Mr. Cunningham [and Mr. Hall], and questions.]]

I will now entertain a motion that the 2009 audited financial statements be approved.

[Stockholder 1]: So moved.

Thank you. Is there a second?

[Stockholder 2]: I second the motion.

Thank you. The 2009 audited financial statements are approved.

9. <u>Approval and Reappointment of Grant Thornton LLP as Auditor</u>.

The meeting will now proceed with the approval and reappointment of Grant Thornton LLP as the Company's auditors for 2010.

I will now entertain a motion that the reappointment of Grant Thornton LLP as the Company's auditors for 2010 be approved.

[Stockholder 1]: So moved.

Thank you. Is there a second?

[Stockholder 2]: I second the motion.

Thank you. The reappointment of Grant Thornton LLP as the Company's auditors for 2010 is approved.

Is there any further business to come before this meeting before we accept any questions you may have?

(Pause)

We will now accept any questions that you may have. Are there any questions?

(Pause)

I want to thank you for attending this meeting and for your interest in the Company and your support. This meeting is now concluded.

INPUT - ANNUAL STOCKHOLDER'S MEETING
2010 Stockholders List

	Proxy Rcvd	NAME	Address	Meeting Notice Distrib.	No of Shares
	√	**STOCKHOLDERS**			
1		Barbara Austin	47881 Allegheny Circle Sterling, VA 20165	- *Hard Copy Delivered in INPUT Office*	5,000
2		Deepak Bhat	2212 Southgate Square Reston, VA 20191	- *Hard Copy Delivered in INPUT Office*	10,000
3		Timothy Brett	4100 Fairfax Center Creek Dr. Fairfax, VA 22030	- *Hard Copy Delivered in INPUT Office*	2,500
4		William H. Bryant	24 Sandstone Portola Valley, CA 94028	- *By DHL*	200,000
5	√	Cayman E-Business Ltd.	C/O Royal Bank of Canada PO Box 1586 Grand Cayman KY1-1110 Cayman Islands	- *Mailed by Pat*	7,525,010
6		Schalene Dagutis	11719 Flemish Mill Court Oakton, VA 22124	- *Hard Copy Delivered in INPUT Office*	5,000
7		Kevin Gates	43483 Millwright Terrace Leesburg, VA 20176	- *Hard Copy Delivered in INPUT Office*	2,500
8		Megan Gamse	2103 Highcourt Lane, #403 Herndon, VA 20170	- *Hard Copy Delivered in INPUT Office*	5,000
9		Myra Sue Grothoff	8119 Cerromar Way Gainesville, VA 20155	- *Hard Copy Delivered in INPUT Office*	10,000
8		Brian Haney	14616 Stream Pond Drive Centreville, VA 20120	- *Hard Copy Delivered in INPUT Office*	20,000
9		Thomas Hewitt (Director)	139 Commodore Drive Jupiter, FL 33477	- *Hard Copy Delivered in INPUT Office*	200,000
10		Joshua Lockridge	2032 Royal Fern Court, #21A Reston, VA 20191	- *Hard Copy Delivered in INPUT Office*	1,000
11		Suzanne Masini (Haleen)	3447 Suncrest Village Raleigh, NC 27616	- *Hard Copy Delivered in INPUT Office*	5,000 + 2,500
12		Kevin M. Plexico	44018 Cheltenham Circle Ashburn, VA 20147	- *Hard Copy Delivered in INPUT Office*	500,000
13		Gary J. Sajko	203 Dry River Road Bridgewater, VA 22812	- *Hard Copy Delivered in INPUT Office*	2,500
14		Andrew Y. Sung	9520 Ewing Drive Bethesda, MD 20817	- *Hard Copy Delivered in INPUT Office*	10,000
15		Paul Treszczotko	23040 Potomac Hill Square Sterling, VA 20166	- *Hard Copy Delivered in INPUT Office*	5,000
16		Alexander Turner	22511 Maison Carree Square Ashburn, VA 20148	- *Hard Copy Delivered in INPUT Office*	2,500
			TOTAL STOCK OUTSTANDING:		~~8,511,010~~
		List Continues on Page 2			8,513,510

INPUT - ANNUAL STOCKHOLDER'S MEETING
2010 Stockholders List

9/15/2010

	Proxy Rcvd	NAME	Address	Meeting Notice Distrib.	No of Shares
		OTHER (Non-Stockholders)			
17		Peter Cunningham (Chair & Cayman E'Business Proxy Holder)	N/A	- *Delivered by Pat*	N/A
18		Patricia Cunningham (Secretary)	N/A	- *Delivered by Pat*	N/A
19		Jed Laird (Director)	Petsky Prunier, LLC. 91 Roxiticus Road Far Hills, NJ 07931	- *By DHL*	~~N/A~~ 50,000
20		Maryann Hirsch	Knowledge Consulting Group 11710 Plaza America Drive Suite 520 Reston, VA 20190	- *By Mail*	N/A
21		Rachel Parrinello	26060 Kriste Lane Los Altos Hills, CA 94022	- *By DHL*	N/A
22		Timothy P. Dowd (Director, Pres & CEO)	INPUT, Inc. 11720 Plaza America Drive, Suite 1200 Reston, VA 20190	- *Hard Copy Delivered in INPUT Office*	N/A
23		Kevin Gates (VP, Finance & Administration)	INPUT, Inc. 11720 Plaza America Drive, Suite 1200 Reston, VA 20190	- *Hard Copy Delivered in INPUT Office*	N/A
24		Thomas Knox	Morrison & Foerster LLP 1650 Tysons Boulevard, Suite 400 McLean, VA 22102-4220	- *By Mail*	N/A
25		William Schuerman	Morrison & Foerster LLP 1650 Tysons Boulevard, Suite 400 McLean, VA 22102-4220	- *By Mail*	N/A

Purchased 7/15/10

INPUT – A DELAWARE CORPORATION

BOARD OF DIRECTORS

JULY 2010

Peter A. Cunningham	Chairman of the Board, Director
Occupation:	Chairman INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	P.O. Box 30998 725 Britannia Drive Grand Cayman KY1-1204 Cayman Islands
E-Mail:	pac@input.com
Telephone:	(345) 945-5725
Birth Date:	July 13, 1941

Patricia Cunningham	Director and Secretary
Occupation:	Corporate Secretary INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	P.O. Box 30998 725 Britannia Drive Grand Cayman KY1-1204 Cayman Islands
E-Mail:	patc@input.com
Telephone:	(345) 945-5725
Birth Date:	February 15, 1945

Timothy P. Dowd	Director, INPUT (Elected 5/12/08)
Occupation:	President and CEO INPUT 11720 Plaza America Drive Reston, VA 20190 (703) 707-3500
Address:	3871 Farrcroft Drive Fairfax, VA 22030
E-Mail:	tdowd@input.com
Telephone:	(703) 219-9959
Birth Date:	March 18, 1963

Thomas L. Hewitt	Director, INPUT (Re-Elected 9/1/03)
	(Prior Election 12/18/01-08/16/02)
Occupation:	CEO of Global Governments, Inc
Address:	139 Commodore Drive
	Jupiter, FL 33477
E-Mail:	tom@tomhewitt.com
Telephone:	(703) 228-0066 (VA)
	(571) 232-8859 (Cell)
Birth Date:	September 6, 1938

Maryann Hirsch	Director, INPUT (Elected 1/10/08)
Occupation:	President
	KNOWLEDGE CONSULTING GROUP, INC.
	11710 Plaza America Drive, Suite 520
	Reston, VA. 20190
E-Mail:	Maryann.Hirsch@KnowledgeCG.com
Telephone:	(703) 467-2000
Address:	20366 Falls Way Terrace
	Sterling, VA 20165
Telephone:	(703) 404-2928
Birth Date:	July 23, 1963

Joseph E. Laird, Jr.	Director, INPUT (Elected 7/13/05)
Occupation:	Managing Director
	PETSKY PRUNIER LLC
	40 Wall Street
	New York, NY 10005
E-Mail:	jlaird@petskyprunier.com
Telephone:	(212) 842-7120
Address:	91 Roxiticus Road
	Far Hills, NJ 07931
Telephone:	(908) 719-2275
Birth Date:	June 30, 1945

Rachel J. Parrinello	Director, INPUT (Elected 4/10/08)
Occupation:	Director THE ALEXANDER GROUP, INC. 88 Kearny Street, Suite 1300 San Francisco, CA 94108
E-Mail:	rjcrachel@yahoo.com
Telephone:	(415) 391-5664 (Direct)
Address:	26060 Kriste Lane Los Altos Hills, CA 94022
Telephone:	(650) 941-2160, Cell (514) 601-7224
Birth Date:	January 31, 1969

Daniel R. Young	Director, INPUT (Elected 7/15/10)
Occupation:	
E-Mail:	dyoungfdc@aol.com
Telephone:	
Address:	7206 Farm Meadow Court McLean, VA 22102
Telephone:	
Birth Date:	

Deloitte.

INPUT

2006 Report to the Board of Directors

Charles Carr
Deloitte & Touche LLP
July 11, 2007

Audit.Tax.Consulting.Financial Advisory.

Agenda

- Audit Status
- Audit Scope
- Management Judgments and Accounting Estimates
- Audit Adjustments
- Accounting Policies and Practices
- Internal Control-Related Matters
- Independence Matters
- Additional Matters

Audit Status

- We completed our audit of the consolidated financial statements for the year ended December 31, 2006 of INPUT and rendered our report thereon dated July 6, 2007.
- We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the company is responsible.

Audit Scope

- Our audit scope was outlined in our Engagement Letter dated January 4, 2007, which was signed by the Chairman of the Board of Directors and the Senior Vice President Finance and Administration of the Company, and was not restricted in any way throughout the course of the audit.
- No significant scope changes resulted from the execution of this audit plan.
- Our auditing procedures addressed the risks identified in our audit, which includes the following:
  - Equity transactions including implementation of SFAS No. 123R – "Share Based Payment"
  - Revenue recognition
  - Related party transactions
  - Barter transactions
  - Valuation allowance for deferred tax assets

Management Judgments and Accounting Estimates

- Significant accounting estimates reflected in the company's 2006 consolidated financial statements include:
  - Fair value of barter arrangements
  - Allowance for doubtful accounts receivable
  - Fair value of common stock
  - Valuation of stock based compensation
  - Allowance for deferred tax assets

Audit Adjustments

- Our audit was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.
- We believe that the audit adjustments posted since the commencement of the audit presented in Appendix A to the SAS 61 letter, either individually or in the aggregate, would have a significant effect on the Company's financial reporting process. The nine adjusting entries have the overall effect of decreasing net income by $171,000, decreasing assets by $655,000, increasing liabilities by $159,000 and increasing the deficit in stockholders' deficit by $814,000.

Accounting Policies and Practices

Significant Accounting Policies

- The company's significant accounting policies, as determined by management, are set forth in Note 2 to the company's 2006 consolidated financial statements. During the year ended December 31, 2006, there were no significant changes in previously adopted accounting policies or their application, except for the following:
- Adoption and implementation of SFAS No. 123R "Share Based Payment".

Accounting Policies and Practices

Alternative Accounting Treatments

- We had no discussions with management regarding alternative accounting treatments within U.S. GAAP for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions or general accounting policies, related to the year ended December 31, 2006.

Internal Control-Related Matters

- We have identified certain matters involving the company's internal control that we consider to be significant deficiencies under the standards established by the AICPA.
- Significant deficiencies involve matters coming to our attention that adversely affect the company's ability to initiate, authorize, record, process or report financial data reliably in accordance generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the company's financial statements that is more than inconsequential will not be prevented or detected by the company's internal control over financial reporting.
- A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the company's internal control over financial reporting.

Internal Control-Related Matters (continued)

- The following significant deficiencies existed at December 31, 2006.
  - Accounting implications related to changes in business policies and practices
  - Accounting for barter transactions

Internal Control-Related Matters (continued)

Other Control Deficiencies

- We have also identified other control deficiencies involving the company's internal control over financial reporting for the year ended December 31, 2006:
  - Creation of Accounting Policy Manual – lack of certain accounting policies in certain areas
  - Lack of Proper Segregation of Duties – lack of process of approval and authorization sign-off of certain journal entries
  - Compensation Authorization – lack of written documentation for authorization of salary increases and bonus/incentive awards
  - Accounting for Share Based Payments – standard procedures for compliance with SFAS 123R Share Based Payments are not in place for all provisions of the standard

Independence Matters

- We are not aware of any relationships between Deloitte & Touche USA LLP and its subsidiaries, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates and the company that, in our professional judgment, may reasonably be thought to bear on our independence arising subsequent to January 4, 2007, the date of engagement letter.

Additional Matters

- According to professional standards, there are certain additional matters that should be communicated to the Board of Directors in connection with the performance of an audit:
  - Our responsibility under the standards of the AICPA
  - Disagreements with management
  - Difficulties in performing the audit
  - Consultation with other accountants
  - Major issues discussed with management
  - Other material written communications

Additional Matters (continued)

Our Responsibility

- Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our engagement letter dated January 4, 2007. As described in that letter, those standards require, among other things, that we obtain an understanding of the company's internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. We have issued a separate report to you, dated July 6, 2007, containing our comments.

Additional Matters (continued)

Disagreements with Management

- We have not had any disagreements with management related to matters that are material to the company's 2006 consolidated financial statements

Difficulties Encountered in Performing the Audit

- In our judgment, we received the full cooperation of the company's management and staff and had unrestricted access to its senior management in the performance of our audit

Additional Matters (continued)

Consultation with Other Accountants

- We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2006.

Major Issues Discussed with Management Prior to Retention

- Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that occurred, transactions that were contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as independent auditors.

Additional Matters (continued)

Other Material Written Communications

- The following is a list of those written communications between management and us that we believe represent material written communications related to the audit of the financial statements for the year ended December 31, 2006.
- For any communication not previously provided, a copy of such communication has been attached to our SAS 61 letter as appendices (or provided concurrently).
  - Engagement letter – dated January 4, 2007
  - SAS 61 Letter – dated July 6, 2007
  - Management representation letter – dated July 6, 2007
  - Management comment letter – dated July 6, 2007